The Economic Crisis and the Cold War

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REPORTS Presented to a *Conference on "Managed Economy," the "Cold War," and the Developing Economic Crisis,* Held at the Jefferson School of Social Science in New York, May 14-15, 1949.

Edited by JAMES S. ALLEN *and* DOXEY A. WILKERSON *with an Introductory Essay by* WILLIAM Z. FOSTER.

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Sponsor's Preface

THIS VOLUME OF REPORTS, originally presented at a Conference on the postwar economy of the United States, seeks not only to interpret one of the most decisive developments shaping world politics today, but also to advance creative Marxist scholarship in our country. In this it is expressive of the guiding purpose of the Jefferson School of Social Science, under whose auspices the Conference was held.

For more than five years the Jefferson School has operated on the premise that the principles of scientific socialism, Marxism, provide the basic answers to the great problems of our time and chart the path toward the emerging new social order of peace, security and freedom for all men. Tens of thousands of students, from all walks of life, have learned these principles through participation in the program of the School.

The Jefferson School has understood from the beginning, however, that its contribution to the progressive movement in the United States must include more than the transmission of already established theoretical principles, that one of its important functions is creatively to advance and enrich Marxist thought. In most countries of Europe, except where fascism is in power, this function is partially served by Marxist scholars on the faculties of great universities. The fact that political reaction in our own country denies academic freedom to Marxists emphasizes the importance of the Jefferson School's responsibility to promote creative Marxist scholarship.

From time to time the Jefferson School has brought together groups of Marxist scholars, including many who are not members of the faculty, in special conferences, forums and discussions of theoretical principles needing further development and elaboration, especially as they relate to the economic, political and social life of the United States. The most significant of these projects was the May 1949 *Conference on "Managed Economy," the "Cold War," and the Developing Economic Crisis,* whose proceedings are here made available in published form.

In addition to contributing important theoretical insights into the postwar economy of the United States, this Conference demonstrated an approach to Marxist scholarship which merits far more extensive development. Here was the careful marshalling of extensive scientific data within the meaningful framework of basic economic theory. Here was the creative application of Marxism to a fundamental problem of political

economy on the American scene, one which has the most immediate bearing upon the people's struggles for economic security and peace. Here was a truly cooperative undertaking, involving the working together over a long period of time of Marxist political economists from the ranks both of active political leadership and of academic and labor research. It is hoped that this project is but the precursor of many more such cooperative attacks upon basic theoretical and practical problems confronting the working class and progressive movement in our country.

As this volume is published, imperialist reaction in the United States is mounting ever new and more vicious assaults upon the political organization and leaders of the Marxist movement in our country and throughout the world. Yet, despite their seeming strength and their very serious threat to democracy and peace, our ruling financial oligarchy have clay feet, as the analyses here presented make abundantly clear. They are caught in the inexorably developing contradictions of their exploitative and moribund economy, from which, ultimately, they can find no escape.

The future of America will not be determined by "legal" frame-ups against Communist and other progressive leaders in the courts of monopoly capital, nor by blustering military threats from Wall Street's State Department, nor by grotesque lies and distortions in the imperialist-controlled press and radio. Rather, decisive in shaping the future of our country—a socialist future—are the developing struggles of the American working class and its allies against the growing oppression of an outmoded social system which now offers only the perspective of chronic mass unemployment, fascism and war.

These are struggles which must, and will, be guided increasingly by the tested scientific theory of the working class, Marxism. The contents of this volume should make a useful contribution to this end.

HOWARD SELSAM, *Director*
Jefferson School of Social Science

New York City
August, 1949.

Editors' Foreword

THIS VOLUME is a collective product. It was prepared by a number of political economists who gathered in the autumn of 1948, under the auspices of the Jefferson School of Social Science, to study the current economic situation in relation to the growing war preparations and the expansionist drive of American imperialism.

When this group first met to outline the project many factors of economic crisis were already obvious, and as the study group proceeded it became clear that a crisis of overproduction had begun, despite record peace-time expenditures for rearmament, the Marshall Plan and similar undertakings. It therefore became necessary to study the economic crisis as it was actually developing, and to relate this to the general political framework of the postwar period.

The results of the study were presented in the form of papers and reports to a *Conference on "Managed Economy," the "Cold War," and the Developing Economic Crisis,* held at the Jefferson School in New York over the week-end of May 14-15, 1949. As a result of the favorable reception given the reports at the Conference, which was attended by over one hundred leaders of the labor and progressive movement, it was decided to publish the material for general use. The critical comments and lively discussion at the Conference were taken into account in preparing the reports for publication.

In the brief period since the May Conference the economic crisis has become more pronounced. By July, industrial production had already declined 15 per cent below the postwar high of November 1948. According to admittedly understated government estimates, unemployment was in the neighborhood of four million, while more realistic trade union sources placed it at closer to six million. Scores of communities throughout the nation found themselves in an emergency condition, as severe unemployment and partial employment hit their particular industries. The cost of living remained insufferably high, real wages declined, speed-up grew in intensity and the income of the mass of farmers and the lower middle classes continued to fall. The Negro people, whose position even in the best of times remains precarious, were hardest hit by the continuing economic decline. These tendencies continued throughout the summer.

In his Midyear Economic Report to Congress, the President had to

admit, although he remained circumspect and cautious, that a business decline of significant proportions was in progress. He found, for example, that "unemployment and underemployment have become widespread both industrially and geographically, with heavy concentration in many industrial centers." It was also admitted that many of the unemployed were not covered by existing benefit plans or that they had already exhausted their jobless benefits. As to the basic crisis factors, the President reported that total private investment had fallen by 25 per cent between the fourth quarter of 1948 and the second quarter of 1949.

If, after preaching official optimism for so long, the President finally had to make these admissions, he showed no intention of honoring his election pledges to use the power of government to alleviate the effects of the crisis. Instead, social legislation was indefinitely postponed, while new funds were appropriated or recommended for the Marshall Plan, the arming of the Atlantic Pact nations and for American rearmament. In place of emergency actions clearly required by the crisis now in progress, the President prefers to assure the people, as Hoover had done during the great crisis of the thirties, that the decline is merely a brief "transition" to higher levels of prosperity, although every basic consideration indicates that the crisis is becoming deeper.

Events of the past few months, accordingly, confirm the central analyses and conclusions contained in this volume. If the people are to be safeguarded against the crisis burden and if the danger of war and fascism arising from Administration policies is to be averted, it is ever more imperative for the trade union and progressive movement energetically to take up the struggle for peace and economic security. In his "Communication to the Conference," which appears as the initial essay in this book, William Z. Foster outlines the major aspects of such a program of struggle, in contrast to the Administration's "managed economy" program which, he shows, is a plan for building up the war economy.

Although each report is devoted to a major aspect, an essential unity runs throughout the entire volume, since it was planned and prepared as a single project. The opening report on the world position of the United States presents the general political background and discusses the basic relation between the economic crisis and the danger of war. Subsequent reports treat in detail the roots and major aspects of the economic crisis and its direction of development; the bearing of the Marshall Plan, foreign investment and the weakening of world capitalism upon the crisis in the United States; the effects of the crisis upon the conditions of

the workers, the Negro people and other strata of the population; the crisis in agriculture; and the effects of war preparations upon the economy, monopoly and the state.

Since this is a broad field, touching upon the total interaction of economics and politics, and an immense body of current and ever accumulating material had to be studied, it was necessary to establish certain strict limits with respect both to the inclusion of data and the subjects to be covered, if the project were to be completed and serve an immediately useful purpose. Thus, aside from Foster's discussion of Keynesism, a systematic critique of bourgeois and anti-Marxist theories does not appear here. Nor was it found possible within the scope of this project to probe deeply into the most recent trends within the structure of monopoly capital or to examine at length new aspects of American imperialist expansion into the colonial and semi-dependent countries. In addition, among the various shortcomings in this volume, the most serious is the inadequate treatment of the effects of the postwar economy and the crisis upon the Negro people, a subject which deserves much more extensive and deeper study than is given here.

The group that prepared the material and reports in this volume worked under the chairmanship of James S. Allen. Its members included the following from the Jefferson School: Doxey A. Wilkerson, Director of Faculty and of Curriculum, who also served as chairman of the Conference; Sidney J. Gluck, who was secretary of the study group and of the Conference; Meyer Weiss and Albert Prago, who participated in preliminary discussions. The Labor Research Association participated in the entire project through its secretary, Robert W. Dunn, while Ted Allen and other L.R.A. associates cooperated on research and criticism. Charles Coe, Secretary of Farm Research, took the major responsibility for the agricultural section. Others who participated in the discussion of draft reports included Ann Williams, editor of *New Foundations;* George Siskind and Hy Gordon, of the National Educational Department of the Communist Party; and Max Gordon and Eric Bert of the *Daily Worker.*

JAMES S. ALLEN and DOXEY A. WILKERSON,
Editors

September 1, 1949.

[A COMMUNICATION TO THE CONFERENCE]

Truman's "Managed Economy" and the War Danger

by WILLIAM Z. FOSTER

THIS CONFERENCE has international importance for a number of reasons. It will uncover the economic roots of Wall Street's policy of aggressive imperialist expansion; it will expose the warlike heart of Truman's so-called managed-economy policy; it will probe the extent and character of the developing crisis in this country; and it will analyze clearly the forces that are producing this economic crisis. The world knows all too little about these most vital aspects of the American situation.

May I make my contribution to this important discussion in the shape of a few general remarks, rather than in that of a formal report? I would especially like to indicate some new and significant trends in capitalist economic and political thinking.

In his book, *A History of American Economic Life,* E. C. Kirkland, speaking of cyclical economic crises, says:

> "Economists have been impressed with the rhythmic character of these variations of prosperity and deflation. . . . After a century of analysis and hypothesis they elaborated the theory of the business cycle and concluded that such cycles were inseparable from a business civilization, where producers, each left to his own resources, sought profits in a world where production was individually planned and consumption was both incalculable and unregulated." (Page 497.)

Kirkland wrote this statement in 1933. It was then typical of capitalist thinking. But this was before the legislation of Roosevelt and before the theorizing of Keynes. Today American big business and its economic and political spokesmen think differently. Although having gradations of thought in the matter, generally they no longer look fatalistically upon economic crises as mysterious natural phenomena about which nothing can be done. Instead, they have adopted the pretty widespread conviction that "depressions are man-made," that they are the result of ascertainable

economic and political mistakes, and that, given proper governmental policies, crises can be averted or at least greatly minimized. The major current political expression of this new orientation in capitalist economic thinking is the so-called managed-economy policy of the Truman Administration; its general theoretical expression is Keynesism.

Big business in this country, of which the Truman government is the obedient servant, does not want full production and full employment. It would much prefer to have a monopoly-restricted production and high prices and a large army of unemployed workers with which to slug the trade unions. But at the same time big business is in mortal fear of another serious economic crisis. It is afraid such a crisis would be far worse than the one of 20 years ago, that it would wreck American foreign imperialist ambitions and that it might well have revolutionary consequences disastrous to the world capitalist system. So Wall Street is seeking to prevent or to minimize such a crisis if it can. The instrumentality through which it hopes to accomplish this, as well as to strengthen the position of monopoly and to throw the burden of the crisis upon the toiling masses, is the "managed-economy" policy of the Truman Administration.

This so-called managed-economy of our government that the financial writers and journals are now speaking so much about is a new-fangled policy that grew out of the great economic crisis of the thirties. It should surprise no one that the capitalists, after their bitter experiences with that unparalleled economic holocaust, should try to prevent its repetition. To this end, therefore, especially during the past 15 years, they have worked out a whole series of concrete measures aimed at averting or ameliorating the anticipated crisis. These measures, for the most part, took shape during the Roosevelt regime, but Truman, too, with his so-called managed economy, has made additions to them, his contributions being of an especially sinister and dangerous kind.

Among the more important of these current anti-crisis economic devices making up, in sum, the weapons in the arsenal of the government's "managed-economy," may be listed the following: government deficit financing, manipulation of bank reserve requirements, insurance of bank deposits, guarantee of mortgages, control of bank credit, tinkering with the currency system, regulation of installment buying, price controls, price support for farm products, agricultural credits, R.F.C. loans to business corporations, social security systems for workers, various benefits for veterans, government housing, public works to provide employment, many projects for the conservation of natural resources, juggling of the tax

structure, new tariff regulations, government-organized foreign loans, the Employment Act, the President's economic committee, and last, but by no means least, stimulated war armaments production on a large scale. These measures, for the most part, are radical departures from the policies that prevailed regarding industry in the years before the great economic crisis of 1929.

In their attempts to shield themselves from the devastating economic crisis characteristic of this period of imperialism and capitalist decay, the capitalists have not only adopted these new economic policies, but their spokesmen have also furbished up what passes among them for economic theory. This theoretical work, in the main, has been done by the noted British economist, the late Sir John Maynard Keynes.

The substance of Keynes' theorizing went to destroy the complacent capitalist notion, based on Say's long-accepted "law of markets," to the effect that the capitalist system is a self-regulating mechanism, the inevitable trend of which, despite periodic cyclical crises, is to proceed upon an ever-upward spiral of development. With one eye cocked crookedly toward Karl Marx, Keynes argued that there is a basic "flaw" in the capitalist system in that the productive capacity of industry tends to outrun the consuming power of the capitalist market. There results, he maintained, chronic "over-savings," or under-investment of capital, with consequent industrial stagnation and mass unemployment. This condition grows worse, he stated, with the maturing of capitalism and, if uncorrected, can have revolutionary implications.

The cure for this situation and the means of salvation for capitalism, Keynes asserted, is for the government, through various fiscal devices, to stimulate capital investment in production. All modern capitalist groupings, including that loud-mouthed champion of "free enterprise," the National Association of Manufacturers, with varying degrees of clarity and emphasis, accept this general thesis of Keynes. A Taft may balk at government-spending-for-jobs in principle and yet vote for war armaments as a stimulus to production. Even the mentally muscle-bound U.S. Chamber of Commerce, in its pamphlet *Maximum Employment in a Free Society,* says that, "Only the central government, acting in the name of the whole people, has the means to execute some of the policies needed to maintain high levels of employment." Virtually all the capitalist governments of today work upon the basis of Keynes' general analysis. It is the working principle, too, of the Truman Administration's so-called managed economy.

President Truman has talked a lot about preventing inflation. In reality, however, the trend of the present basic economic policy of his Administration is to avert, or ameliorate, a feared tremendous economic depression by means of a gigantic government spending program.

In estimating Truman's "managed-economy" this conference, it seems to me, should, as a major part of its work, establish clearly the difference between a planned economy and a "managed economy." A planned economy is one in which all the human and economic resources of the country are systematically mobilized by the state and the people's organizations for the purpose of securing the maximum of production and the best possible social conditions, for the benefit of the whole people. A planned economy can exist only in a socialist regime, where full economic and political power is in the hands of the people.

A "managed-economy," on the other hand, one such as the Truman Administration is striving to carry on, has quite a different scope and objective than a socialist planned economy. Obviously, with millions of competing economic units, American capitalism cannot have planned production and distribution, nor is it trying to do so. Varga was wrong when he stated that capitalist governments could and did plan their economies during the war. Truman's aim, with his so-called managed-economy which never loses sight of its main purpose of conserving capitalist profits at the expense of the people, is simply to try to prevent, or at least to minimize, the cyclical economic crisis by the manipulation of economic factors tending to produce inflation or deflation. In this way the capitalist policy-makers, with all their confusionism and chaotic counter interests, hope to keep the economy on a relatively steady keel. This goal, as we shall see, is impossible for capitalism to accomplish.

In analyzing Truman's "managed-economy" we must bear in mind the fact that, roughly speaking, there are, particularly in practice, two broad variants of Keynesism, the reformist and the reactionary. The reformist Keynesians, or New Dealers, who constitute the general Roosevelt-Wallace tendency, turn to government-financed plans of public works, social security, higher real wages and such welfare projects in their efforts to "close the gap" between the consuming and producing powers of the people. Their expressed goals are peace and the establishment of a so-called progressive capitalism. The reactionary Keynesians, on the other hand, chiefly cultivate a big government-financed armaments program in order to boost flagging industry, to avoid excessive mass unemployment, to promote state monopoly capitalism and to carry out their general program of imperial-

ism, fascism and war. There is, moreover, an over-lapping between these two Keynesian variants. This over-lapping is exemplified by the course of such elements as the A.D.A. liberals, the right Social Democrats, and the many conservative trade-union bureaucrats who, while endorsing reformist Keynesian or New Deal measures, also give strong backing to the reactionary war armaments program of big business and its accompanying policies of aggressive imperialism.

The Truman Administration, faithful to the interests of the capitalist monopolists who control it, bases its "managed-economy" policy upon the reactionary variant of Keynesism. That is to say, while dabbling with various reformist measures of social insurance, with national health plans, and the like, it turns its main attention to stimulating industry by feeding it huge armaments orders, by protecting profits at the expense of wages, by building up a vast war economy, by strengthening the general position of monopoly, by cultivating a militant program of grabbing world markets and by heading definitely in the direction of war. It is this main reactionary Keynesian economic motive behind Truman's policy (namely, the capitalists' conviction that war orders, and eventually war itself, are necessary in order to keep the industry in operation), which makes the present war danger truly menacing. Consequently, the worse the economic situation becomes, the more the war danger grows.

The monopoly capitalists, the real rulers of this country, are quite aware of the unhealthy condition of American industry. They realize that this great industrial system, blood-fattened by the recent war, has become dangerously over-developed, as measured against the potentialities of the world capitalist market. The existing market was quite unable to absorb the huge production of the United States during the 1920's, hence the terrific breakdown beginning in 1929. The world market is now much less able to absorb American production in view of the tremendous increase in American productivity during the war and the war-weakened purchasing power of the masses in the capitalist countries. Hence, the big American capitalists have pretty generally arrived at the Keynesian conclusion that the only way their dizzy economic system can be kept going is by giving it shots-in-the-arm through wholesale government spending.

The choice of the monopolists is not whether they shall employ government spending on a large scale. This, in one form or another, is a settled matter in the minds of most bourgeois economists, politicians and industrialists. The main question is what shall be the character of these govern-

ment subsidies to industry. The capitalists have chosen the armaments program, rather than the public works and social security type of program advocated by New Deal Keynesians, as the way to bolster their shaky industries. There are a number of important reasons for this choice, as we shall see a bit further along.

At the present time in Washington, with economic storm signals flying on all sides and mass unemployment heavily increasing, there is much loose speculation as to the amount and character of the government spending under Truman's "managed economy" in the capitalists' attempt to avoid an economic catastrophe. The financial journal, *U.S. News and World Report* (April 22, 1949) says: "Official planners estimate that a shelf of needed public works at this time could total as much as 127 billion dollars." Some of the many projects now being talked about in Washington circles include such items as road building, $60 billion; flood control, $13 billion; schools, $10.5 billion; waterworks, $9.5 billion; hospitals, $8.5 billion, etc. Then there is also a detail of an estimated $30 billion for the various phases of a social security program.

But the decisive capitalist groups are less than lukewarm to these fantastic public works projects as well as to the welfare schemes of social security, national health plans and the like, although to sugar-coat their own reactionary plans, they have to make certain concessions in these directions. The big capitalists' first love, in order to make Truman's "managed-economy" tick, is for munitions-making, on an ever-ascending scale; although they often grumble at the high taxes involved. Without counting the Marshall Plan funds, which are also largely military, they are now getting $16 billion yearly in armaments orders; billions more will be forthcoming for the arming of Western Europe and perhaps other billions to support reaction further in China. The *U.S. News and World Report,* in the same April 22 issue, states, "Armaments is the great new program for pump-priming." Nowadays, financial journals freely acknowledge that the government's huge armaments program is an economic subsidy to industry.

Consequently, every peace move by the U.S.S.R. and other democratic forces sends shivers of apprehension along their spines. Often they do not hesitate it warn openly that it would be a disaster were real peace to come and deprive American industry of its present vast armaments production. The capitalist elements are cynically cultivating war hysteria as a necessary adjunct to the munitions-fed profits of American big business.

As I have already indicated, the capitalists much prefer armaments production, as against public works and social welfare schemes, as the founda-

tion of Truman's "managed-economy." This is for a number of basic reasons. First, munitions production, carried on in an atmosphere of mounting war hysteria, yields far greater profits to the monopolists than does any other form of government spending; and huge munitions orders are easy to secure. Second, munitions production with its cultivated war-scares, in addition, creates a reactionary political spirit which makes it relatively easier for big capital to advance its general program of fascist-like reaction and to strengthen the grip of monopoly and its militaristic agents upon this country. Third, munitions production also fits in perfectly with the imperialistic plans of big business to subordinate all other capitalist countries, to attack the U.S.S.R. militarily and to set up its own domination over the entire world. These are the chief reasons why the capitalists, realizing that the American industries imperatively demand wholesale government subsidies, support huge munitions orders under such guises as the militaristic Marshall Plan, the Truman Doctrine, the North Atlantic Pact and also favor the building of the United States into a garrison state armed to the teeth. *The Truman "managed-economy" is a policy of militarism, imperialism and war.*

There are many conservative labor leaders and Social Democrats who are supporting Truman's "managed-economy" and its war economy program with the contention that they are thereby guaranteeing industrial prosperity and peace. But this is a grave illusion, one which may well lead our people and the world into irretrievable disaster.

The armaments program of Truman and Wall Street is no panacea against economic crisis, nor does it make for peace. Of course, government large-scale spending of any kind gives a temporary and partial aid to the shaky economic system, but such subsidies can only briefly delay, not avert, the economic crisis. The basic contradictions of the capitalist system, bringing about a head-on collision between the vastly increased productive capacity of American industry and the shrunken state of the world capitalist market, cannot be overcome by such superficial devices as Truman's "managed-economy." On the contrary, all these contradictions are sharpened and deepened by it.

This is at present being graphically illustrated by the fact that in spite of the huge spending program of the government the economic crisis is obviously developing, as reports to this conference undoubtedly will make clear. The Truman policy of the "managed-economy," based primarily upon war production, cannot avert the economic crisis. The same would also be true if the government were basing its policies upon

the reformist, social security, public works, New Dal variant of Keynesism. This conference should expose the fallacy of Keynesism in general and of its multiplier theory (pump-priming) in particular. Keynesism must be analyzed as a key aspect of the ideology of state-monopoly capitalism.

Not only is the armaments program unable to save the people from the economic crisis, but it is also no protection to peace. On the contrary, the Truman "managed-economy" policy leads toward war. As the industrial situation grows more precarious and as American imperialism prosecutes its expansionist policies vigorously, the tendency is to feed the industries with even greater quantities of munitions orders, and to adopt more aggressive foreign policies. It is a vicious progression which must climax in war, unless the peace-minded American people intervene. There can be no doubt that the big capitalists of Wall Street recognize the logic of all this and have definitely chosen the path of war. They need war to keep their industries going and to further their imperialist conquests.

Americans generally do not realize to what a big extent war production has cultivated the development and activity of our industrial system during the past generation. The industries of this country profited and grew enormously as a result of World War I and also through the postwar work of repairing that war's devastation in Europe. In relation to World War II, American industry has become even more tremendously swollen, because of the huge wartime munitions production and because of the present postwar reconstruction work. Actually our industries, grown enormous on the two World Wars, are now in such a precarious position in relation to capitalist market possibilities that they can be kept even in temporary operation under capitalist conditions only by feeding them with ever-increasing government funds. This, in Truman's case, means mounting munitions orders, with a perspective of eventual war.

The tragic danger of the American situation arises from the fact that big capitalists of this country are convinced that war is both economically and politically necessary; economically necessary because an endless increase in munitions production is needed to keep the industries in operation, and politically necessary in order to enable the government to blast through with Wall Street's program of world domination. All this illustrates the deep seriousness of the war danger and the imperative need for the American people to curb the monopolist warmongers.

Two major steps are necessary for the American people to cope with

the present dangerous war situation. The first is to put a bridle upon the warmongers through mass opposition to Truman's war policies. The great bulk of the American people dread the event of another war and they only need leadership in order to make their peace will prevail. The greatest obstacle in this respect is to be found in the fact that huge numbers of them have been deeply confused as to world realities by the subtle and all pervasive war propaganda of American imperialism. These deceived masses have become convinced that the U.S.S.R., and not Wall Street, is responsible for the present sharp world tension. Nevertheless, the overwhelming majority of the American people do not want war. An effective peace movement therefore must find the ways and means by which these confused but peace-desiring masses can be drawn into a broad struggle for peace despite their dubious attitude toward the U.S.S.R. This is a difficult but not an impossible task which can and must be accomplished. It is one thing for the Wall Street imperialists to want and plot war, but it is something different to inveigle and force the unwilling American people into war.

The second major thing necessary in the fight to preserve peace is to provide the American people with a practical economic and political alternative to Truman's "managed-economy" policy, with its wholesale production of munitions and its perspective of war. To develop such an alternative peace program is imperative, for we must very clearly understand that so long as the workers can be made to feel that munitions production offers some protection against wholesale unemployment, then make munitions they will, with all the consequent dread menace of this murderous traffic. The workers and the people have to be convinced that there is a way to keep the industries in operation other than building a vast military system and heading for war. They must thus be shown a way to prevent the monopolies from loading upon them the burden of another great industrial crisis.

The American people, therefore, must develop a far-reaching economic program, embracing drastic increases in the real wages of the workers, slashes in prices and profits, the democratic re-distribution of the tax burden, the establishment of the six-hour day and 30-hour work week, the firm maintenance of farm prices, a broad extension of social security in all its ramifications, the elaboration of a vast plan of public improvements of all sorts, including an enormous slum clearance and housing program, the development of democratic loan and trade policies with other

countries, etc., etc. This economic program must be far-reaching enough to provide the workers and the people with practical alternatives to the making of munitions and the building of a war economy.

Along with this comprehensive economic program there must also be developed new mass political perspectives. For one thing, the workers and the democratic forces generally, in order to keep the great industries going and to avoid the danger of war, will have to look beyond the two-party system, with its unbroken succession of capitalist-controlled governments. The people will have to build a broad new party of their own and aim at the achievement of a democratic coalition government based on the workers, farmers, Negroes, professionals and other democratic strata. But beyond all this, the people will also have to begin to look beyond the capitalist system itself.

There is no way to patch up the present social order so that it will serve the interests of the people. Capitalism is hopelessly reactionary and decadent. Its continuation can only lead to further and more disastrous economic chaos, fascism and war. The power of monopoly capital must be curbed and eventually broken. Capitalism must be supplanted by a new economic and political system, socialism. Inevitably, therefore, the awakening masses, particularly the trade unions, unless they are to be defeated by big business, will be compelled to build a democratic coalition government and to move toward the establishment of a people's democracy, based on the nationalization of the banks and key industries, the introduction of planned economy and the accepted socialist leadership of the working class. Such a people's democracy would have to work with a definite perspective of the eventual establishment of socialism. For socialism is the only final alternative to the chaos and disasters of the dying capitalist system.

This is the general answer that this Conference should make to Truman's "managed-economy" and its program of fascism and war. This is the broad road that our people must travel in order to achieve the peace, democracy and well-being which they so ardently desire.

[ONE]

The World Position of the United States and the Economic Crisis

OUR COUNTRY is now the prime imperialist power. As a result of World War II the United States overshadows by far any other capitalist power, or immediately visible combination of imperialist powers. This situation is completely unprecedented in the epoch of capitalism.

The present extreme disparity is the product of an entire era of uneven development, in which the United States forged ahead economically as other countries fell behind. But the war hastened the entire process. Because of the specific circumstances of World War II, the United States emerged in a strengthened position, while all other major capitalist countries, both victors and vanquished, were greatly weakened.

The central fact that underlies the predominance of the United States is the magnitude and efficiency of its production in relation to that of the remainder of the capitalist world. American industrial production at present is estimated at two-thirds of the world total, outside the Soviet Union. Its capital accumulation available for investment, swollen by a rate of profit during and since the war that had recently been found only in the exploitation of colonial countries, is about three-fourths of the world total.

These advantages are formidable and should not be under-estimated. At the same time they are the source of the most serious weaknesses of American capitalism in the world situation prevailing after World War II.

This vast accumulation of productive capacity and investment capital, concentrated in the hands of a few central monopoly groups, now seeks outlets on a global scale, since the American market, itself so gigantic a portion of the world market, is far outstripped by production. This is the basic economic cause for the aggressive drive of American imperialism for world domination.

But it is precisely here that the central contradiction of the American world position becomes apparent. For while the United States has become the mainstay of world capitalism, it must operate within a world capitalism which is greatly weakened and substantially reduced in scope. The fundamental contradiction in the present ascendancy of American monop-

oly capitalism is that it must seek to extend its global operations, when the general crisis of capitalism has become more acute and more universal as a result of World War II.

The General Crisis

The general crisis is the total interaction of the historic struggle between capitalism and socialism, and of all the separate economic and political crises, the social contradictions and inner antagonisms that afflict capitalism in its stage of monopoly or imperialism. The general crisis places in question the very existence of capitalism as a system of society, and brings to the fore as the central change of our epoch the breakaway from capitalism and the transition to socialism.

Thus, the *breaking out* of the general crisis is marked by the first great basic social change of our era, the successful socialist revolution in Russia, which led to the building and strengthening of socialism in the Soviet Union. During the preceding period from the turn of the century the basic contradictions of the world system matured and culminated in the explosion of World War I. It was as a consequence of that war that the first major break in the capitalist system occurred and that the new, the socialist society was established.

That is the central development opening the general crisis of capitalism, which in the period between the two wars was greatly accentuated by the contrast between the two systems. During this period socialism was established and the transition to communism was begun in the Soviet Union, which became a leading world power. The anti-capitalist forces in the capitalist and colonial world sector grew in strength. The class struggles became fiercer, while anti-imperialist colonial uprisings spread despite the harsh repressive measures of the colonial powers. Imperialism became more decadent, being increasingly characterized by the deepening of its internal contradictions and the aggravation in inter-monopoly and inter-imperialist rivalries leading to extremely repressive forms of rule, such as fascism, and to World War II.

In view of the changes following World War II, we may be justified in speaking of a new, more acute phase of the general crisis of capitalism.

Speaking of a new phase is justified when qualitative changes occur that establish significant alterations in the relation of world forces in favor of socialism. The two-fold process of present historical development

—on the one hand, the strengthening of the socialist sector already established, and, on the other hand, the deepening of the contradictions of the world capitalist system—must lead to a shift of qualitative significance toward socialism in the balance of forces. Since the socialist revolution of 1917, which initiated this shift, the relationship of forces has moved in the direction of socialism. That is the basic trend of the contemporary era. The question is: have the separate qualitative changes resulting from World War II had the cumulative effect of inaugurating a new phase of the general crisis?

The separate qualitative changes, resulting in a decisive strengthening of the socialist world sector, that occurred as a consequence of World War II, are indicated here in barest outline:

The first of these is the strengthened position of the Soviet Union as a result of the defeat of the fascist Axis. The swift tempo of postwar reconstruction and further socialist development in the Soviet Union characterizes the progression toward communism. The historic competition between socialism and capitalism is intensified. This is symbolized by the fact that at the beginning of 1949, Soviet production was advancing at the annual rate of 25 per cent, while the American economy was *declining* at the annual rate of about 12 per cent, with the rate of decline tending to increase.

The second basic change occurred in Eastern and Central Europe, where the people's republics represent a breakaway from imperialism and the turn toward socialism. Under the leadership of the working class, and thanks to the support of the Soviet Union, the people's governments are consolidating swiftly and accelerating the transition to socialism. The speed of economic development in countries like Poland and Czechoslovakia recalls the tempo of the Soviet Five-Year Plans.

The third qualitative change is the approaching nation-wide victory of the Chinese Revolution, under the leadership of the Communist Party. This revolution against the three-fold domination of feudalism, foreign imperialism and bureaucratic monopoly capital has raised the colonial liberation movement to a new stage, qualitatively different from the preceding one. The first major and complete break in the imperialist colonial and semi-colonial structure is now under way in a vast and decisive sector. The leadership of the working-class party in bringing about this change is creating the prerequisites for the turn toward socialism and also assures a complete breakaway from imperialism. Thus a course is followed by China fundamentally different from that of India, where the bourgeoisie

has maintained leadership of the national movement and allied itself with imperialism. The successes of the Chinese revolution sustain and stimulate the colonial uprisings that have proceeded since the end of the war in Southeast Asia and inspire the entire camp of colonial and national independence and of world peace.

These qualitative changes strengthen the position of the leading country of socialism and remove another substantial sector of the world from the orbit of imperialism, thus greatly multiplying and deepening its internal difficulties and preparing the ground for further qualitative changes. The sum effect of the changes following World War II is to greatly accelerate the shift of forces in the direction of socialism. A clear preponderance of socialist forces on a world scale does not yet exist, but the tempo of development in that direction has been greatly accelerated. The shift that has taken place and is now proceeding displays certain new characteristics, which accelerate the development toward socialism.

The central new characteristic, the cumulative result of the separate qualitative changes, is the following: The socialist sector, under the leadership of the Soviet Union, now consists of a number of countries that have made the historic turn to socialism, and also of an immense allied sector of former colonial peoples breaking with imperialism and establishing the ground for the turn to socialism. This is more than a quantitative addition. It amounts to an over-all qualitative change. Its outstanding significance in the progression of the general crisis is that the phase has been opened after World War II in which socialism advances in a number of countries simultaneously, stimulated and aided by the Soviet Union, which is already in transition to communism.

This results in greatly accentuating the general crisis, leading to further qualitative changes. On the one side, the new positions won by socialism and its allied sectors are consolidated and grow in strength. On the other side, the more critical position of capitalism constantly calls forth new forces of socialism and people's democracy within the countries in which capitalism is most shaken. Thus, the perspective is opened of traveling with greater speed toward a preponderance of socialist forces in the world.

One may cite as an example the situation in Western Europe. The steps taken in militarizing and retrustifying the Ruhr and the restoration by Anglo-American intervention of reactionary governments in Greece, Italy and France represent certain successes for imperialism. But these remain highly tenuous. Capitalism in Western Europe is fundamentally shaken, and the Communist Parties are strong. The position of the Western Euro-

pean powers, including Britain which despite its own weaknesses serves as a bulwark, has been further undermined by the victories of the Chinese revolution and the uprisings of Southeast Asia. The United States, the mainstay of capitalism in Western Europe, itself faces growing obstacles and contradictions at home and abroad, as it is caught in the tighter grip of the general crisis. Western Europe thus appears as the most sensitive sector of world capitalism.

One may also cite the armed uprisings in Southeast Asia as indicating the most sensitive sector of the colonial world where the path taken by China and also North Korea is being approached. In this connection, capitalism also finds itself in a critical stage in Japan, which is in danger of being turned into an offshore base, economically and militarily dependent upon the United States.

We speak of a new, more acute phase of the general crisis, but not of a new stage of imperialism. Imperialism only becomes more decadent, increasingly employing harsher and more oppressive measures to overcome the general crisis.

American monopoly capital may have many tricks up its sleeve, old and new, but their effective use is increasingly more difficult in the midst of this more acute phase of general crisis.

Inter-Imperialist Rivalries

If, as we have stated, the United States now enjoys a position of decisive ascendancy in the capitalist world, are we to discount entirely the importance of rivalries among the imperialist powers? In other words, is the possibility of a split in the imperialist front, such as occurred in World War II although in another form, no longer inherent in the new world situation?

It is obvious that since the end of the war the inter-imperialist rivalries (as between the United States and Britain, Britain and France, Germany and France) have been subordinated to the common imperialist front against the Soviet Union, the East European people's republics, the working classes of the West and the colonial liberation movements. The policy of counter-revolution and anti-Soviet encirclement, which was dominant during most of the inter-war period, has again come to the fore. It is resumed under the leadership of the Anglo-American bloc, with the United States as the unchallenged senior partner, a bloc which is supported by right-wing Social Democracy.

Through various steps since the war, including the Truman Doctrine and the Marshall Plan, this policy has now culminated in the Atlantic Pact, which establishes the American military frontier in the heart of Europe, obliging the European client states to take on a heavy burden of armaments and act as spearheads of a possible aggressive war against the Soviet Union and the people's democracies. A far-flung network of American and allied bases, together with new economic positions, extend throughout the vast periphery of the socialist and liberated colonial sectors, while Latin America, the older sphere of American economic colonization, suffers the impositions of new military dictatorships.

The Atlantic Pact and other accoutrements of encirclement *is a policy of war,* as the supreme effort to solve the general crisis of capitalism. If American imperialism must draw back here or there, must enter into partial agreements on this or that issue, must alter its tactics occasionally along less belligerent lines, it is because reversals, retreats and halts are imposed upon it by the powerful world forces of socialism and people's democracy, and the overwhelming desire for peace among the peoples of the world, including the American people. These are the forces that directly oppose the American expansionist drive leading to war, the basic forces of peace and social progress.

It would be wrong, however, to assume that the peace forces of socialism and the people can no longer count upon taking advantage of inter-imperialist rivalries. To assume that would mean the United States can successfully establish its complete domination over all other capitalist countries, at a time when these are deeply unstable and face a new and devastating economic crisis.

The perspective of a deep economic crisis, on the one hand, leads the ruling circles of the Atlantic Pact countries to lean more heavily upon the United States as a bulwark against total collapse. Furthermore, the fear of capitalist collapse on a world scale, expressed in the "cold war" which is led by the United States against the Soviet Union and all people's forces at home and abroad, is another powerful force driving the imperialist ruling circles together, even at the sacrifice of positions and advantages.

But this is not the only tendency present in inter-imperialist relations, although it is now dominant. For the economic crisis, especially in view of the prime world position of the United States, will accentuate to an extraordinary degree the expansionist drive of American imperialism. While acting as the savior of the *status quo,* American capitalism is pushing its own specific objectives—the political subordination of other coun-

tries, the colonization of their economies, the penetration of their colonies and old spheres of influence, the shattering of competitive trading areas.

Even now, before the economic crisis has become acute, in the very process of building up bulwarks against the people, the United States helps restore some of the lost strength of rival imperialist powers. Although the British Empire is full of fissures, the American loan and other aid has helped to keep it going and to restore to it some of its lost economic and strategic positions. The restoration of the Ruhr that is now proceeding again raises the specter of an efficient industrial arsenal competing with the relatively backward industries of Britain and France, when these countries are even now beginning to fall into the grip of a new crisis. West German exports, for example, are scheduled to leap to three billion dollars annually by the end of the Marshall Plan, which is more than the prewar exports of Britain.

Competition for world markets becomes fiercer, as the Marshall Plan imposes American exports upon the client states, increasingly closes its own contracting market to their exports and thereby forces them into sharp struggles among each other for generally declining markets. There is, of course, a simultaneous effort to allocate markets and production by cartel methods among the trusts, but the overwhelming weight of the American trusts is a basic influence that keeps cartel relations unsettled.

In short, the economic crisis tends to sharpen the inter-imperialist contradictions, especially between Britain and the United States, and thus to undermine the Anglo-American bloc. For under the impact of the crisis, Britain increases its efforts to fortify itself in the remaining Empire strongholds, to re-establish West European and Mediterranean trading areas and its old positions in the Middle East and Latin America. The United States has already opened a fierce struggle in India, Southeast Asia and especially in Africa, where it expects the classic road of partition and super-exploitation still lies ahead.

Thus, we may expect that within the framework of the Anglo-American bloc and the Atlantic bloc, the inter-imperialist contradictions, will come forward ever more sharply as American expansionism is stimulated further by the economic crisis. The people's forces, depending primarily upon their own basic strength, are also in a position to use these contradictions to their own advantage in building a powerful world peace front.

United States and the World Market

Another important aspect of the American world position affects the stability of American capitalism and makes it more difficult to export the burdens of economic crisis to the masses of other countries. It is the immeasurably sharper contradiction between production and the market, resulting from the recent extraordinary expansion of productive capacity in the United States and the simultaneous restriction of the world market, both an outcome of the war.

This central difficulty is typified by the problem of investment of the great hoard of capital accumulated by the corporations and the financial institutions during the war and since. To the extent that it is possible to invest this capital profitably in new productive equipment in the United States, the capacity and efficiency of production is thereby increased. This has the effect of stretching the already yawning gap between production and consumption, piling up the factors making for a severe crisis of overproduction. Another important effect of domestic investment is to increase still further the weight of the United States in the world economy, since no other major capitalist country can approach the volume of investment in the United States nor the high rate of productivity resulting from new plant and equipment. Thus, as the process of domestic capital investment continues in the United States, although it may still leave a large hoard of unused or idle capital, the gap between the United States and other countries is widened, the pressure for markets increases, other economies tend to become subordinated to that of the United States, their critical postwar position is perpetuated and they are drawn more fully within the orbit of an economic crisis originating in the United States.

Actually, despite the large volume of capital expenditures in the United States since the end of the war, immense capital accumulations still remain unused, and at a time moreover when the contracting market renders such investments less and less profitable. The tendency, therefore, becomes more pronounced to seek profitable spheres of investment abroad, where such opportunities have become more and more limited as a result of the general crisis and the political instability that prevails. Nevertheless, a strenuous effort is made to bludgeon open such spheres of investment, which is a basic element of the American expansionist drive.

Thus, Leon H. Keyserling, vice chairman of the President's Council of Economic Advisers, is authority for the statement that this country will have to find additional markets at home and abroad of $400 billion in the

next decade, if we are to avoid an economic collapse. But with the economic crisis proceeding in many countries simultaneously these markets would have to be sought mostly at the expense of others powers. Earl Browder was among the first to advance a program of fighting the economic crisis by the global expansion of American imperialism. This is the policy in essence supported by the conservative trade union leaders and the liberals of the A.D.A. type.

How this is to be done in face of the world market crisis and moreover on the basis of the peculiar American export position has not been satisfactorily explained by anyone. The United States has had an export surplus since 1893, and now it has assumed extraordinary proportions. In the first three postwar years it reached $25.6 billion, three-fifths of which was financed by the United States government by loans and grants. The difficulty of the American imperialist economic position is that payment on the immense amounts of exports and return on great capital investments abroad over any extended period cannot be realized through imports, because of the great resources of foodstuffs and raw materials in the United States. During the entire period of British industrial ascendancy, its capitalists could collect tribute from the rest of the world largely in the form of imports of food and raw materials which were produced in Britain only in very limited quantities. If the United States is to maintain its present level of exports, not to speak of multiplying them by many times, and if it is to find an outlet for capital investment abroad, it must continue to use extraordinary measures of government finance on a world scale and find means of collecting tribute for its investments. If the Keyserling-Browder program is to be pursued, it would demand private capital investment abroad or government financing, or both, at a fantastically high level, say, at $20 to $25 billion annually.

Capital exports at this level would mean the outright colonization of the world by American monopoly capital, creating a new world imperium, a super American trust encompassing the globe. Monopoly capital is certainly striving in this direction, which explains the especially aggressive content of American imperialism. But, as Lenin remarked long ago, this is present only as a direction of development, which cannot approach culmination because of the overwhelming opposing forces constantly set in motion by the attempt to reach this goal.

Of course, the United States is now pressing energetically for guarantees of investments and profits from abroad. It has done so for a long time, especially in Latin America. But now it is seeking them on a global scale

through the Havana Trade Charter, the Marshall Plan and the implementation of Truman's "new bold plan" of investment. Failing these guarantees, or the immediate prospect of realizing them to the extent required by the gravity of the American economic situation, capital export takes the form largely of government grants and loans, which are tied to an aggressive foreign policy. In return for these grants, American imperialism obtains new bases, control of strategic materials, new spheres of influence and other advantages which, it is hoped, will make the world safe for Wall Street investment.

The aggressive character of American imperialism is therefore inherent in the internal economic and in the world position of the United States, as long as it remains under the domination of monopoly capital. Thus Browder's position that foreign markets and capital export are the key to overcoming the crisis and to assure to American capitalism a new era of prosperity and health, is a deception that serves to lure the American people into the trap of supporting imperialist expansion. To paraphrase Lenin in terms of the present period, Browder is a social-expansionist, using socialist phrases to adorn an expansionist program.

Nature of the Economic Crisis

If no solution of the problem of the market can be found abroad, can the domestic market sustain a high level of production and employment? The answer is already being provided by the economic crisis that is now taking place. Other reports will examine in detail the various factors of the developing crisis, and its effects upon the workers, the Negro people, the farmers and various strata of the middle class.

Our principal conclusion with respect to the economic crisis is the following: A cyclical crisis of overproduction began in the autumn of 1948. It has continued at a relatively slow but constant tempo for the past six months. War preparations distort the cycle and will no doubt cause the crisis to develop with uneven effects in different sectors of the economy. But nothing appears in sight at present to prevent the decline reaching an acute stage.

The cyclical crisis proceeds within the framework of the general crisis of capitalism, which has become more acute, and therefore is bound to have great political repercussions. Furthermore, the postwar cyclical movement of the economy, including the upward phase beginning in 1946 and the start of the downward phase at the end of 1948, occurs within a

general tendency of economic decline from the wartime production peak of 1943. At no time did the postwar economy attain the wartime peak.

The tendency of an overall decline of the American economy first appeared in the thirties. The outstanding characteristic of that period was that complete recovery from the crisis did not occur under peacetime conditions. The great crisis of the early part of the decade was the longest and most severe of the imperialist era. The decline in production began in June 1929, well in advance of the stock market crash, and continued for three years and nine months to March 1933, when output had fallen by almost half below the 1929 peak. Then began the slow upward movement, lasting three years and ten months, to August 1937. At this point production was still somewhat below the 1929 peak. But the official count of unemployment, a gross underestimate, was 8,000,000, as compared with 13,000,000 in 1933, and one and one-half to four million in 1929. Real unemployment was in the neighborhood of 12,000,000 in 1937, compared with over 16,000,000 in 1933.

For the first time in a major economic cycle full recovery had not taken place. This was referred to by Marxists as a recovery of a special kind, in which the upswing from the lowest point of the crisis did not exceed the peak of the previous boom, and in which various crisis elements were carried over, especially a large army of unemployed. The tenuous and partial character of the recovery was soon demonstrated by the precipitous slump from the late summer of 1937 into mid-1938, when production was down by one-third from the previous year. Unemployment jumped to well over 10,000,000, according to the official count, which is considered an underestimate by about four million.

New Deal measures, permeated by the concept that government intervention in the economy could offset and rectify the natural downward plunge of the economic cycle, played a role in alleviating some of the worst aspects of mass suffering but had no decisive effect in altering the course of the cycle itself.

Only armament and war proved powerful enough stimuli to goad the American economy into new high levels of production and employment. This was the supreme expression of capitalist decadence, although it was somewhat obscured by the split in the imperialist camp and the powerful anti-fascist movements of the period that aligned the United States in the war against Hitler Germany. Nevertheless, only in 1940, when the swing to the war economy began on the basis of armament orders from abroad and the start of American rearmament, did production shoot up

for the first time above the level of 1929. But the official count of unemployment stood at over 8,000,000. By the time of Pearl Harbor, production was already fifty per cent above 1938, but unemployment was still about five million.

It was only when the United States became a full belligerent, devoting at the peak of the war effort about half its national income to war, more than doubling prewar industrial output and placing 12,000,000 members of the labor force in the armed services, that unemployment for a brief period dipped below the million mark, according to the understated official figures.

Government spending for war exceeded by many times the New Deal expenditures to fight the economic crisis. This is shown in the national debt, which can be taken as a measure of so-called deficit financing. During the entire course of the New Deal, from mid-1933 to the beginning of 1939, the national debt rose by about 16 billion dollars. But as a result of war spending, the national debt rose *by 240 billion dollars,* or at a rate 15 times greater than in the previous period of anti-depression financing.

Thus, we can conclude, that under the conditions of the general crisis in the period culminating in World War II, the basic contradiction of capitalism—that between the social nature of production and private appropriation—had become so deep as to alter the entire course of the American economy, which then already comprised about half of the world capitalist economy. If by boom we mean the upward movement of the economic cycle to a point exceeding the previous peak, which until then had been a normal aspect of the capitalist economy, *then the boom had disappeared during the decade of the thirties.*

This tendency of an overall decline of the economy, which appeared in America for the first time in the thirties, was reversed during World War II. Let us remember that this happened only in the midst of war on a global scale, and moreover a war in which the United States itself remained untouched, seizing the opportunity to strengthen its position at the expense of other countries. The United States served as an arsenal for the war, which was largely fought by others, and under a conjuncture of circumstances that can hardly re-occur. In the brief period of four years, 1940-1943, the war boom raised the economy to a new peak. But in this process potential over-capacity and other critical elements were generated to an unprecedented degree, laying the ground for an immense crisis of overproduction, in the midst of a more acute phase of the general crisis of capitalism.

A decline in production occurred from the wartime peak of 1943 and lasted well into 1946. At the low point in 1946, non-agricultural production, according to the index of the President's Council of Economic Advisers, was almost one-fourth below the war peak, a decline stretched over a period of three years almost as severe as the slump that occurred in one year from 1937 to 1938. However, even at the 1946 low point production still stood at 60 per cent above 1939.

This decline, beginning in the midst of war, already indicated the great force of the crisis factors that had been created in the course of the war boom. But it was also occasioned by a number of special factors. The turn toward victory on the Soviet front in 1943-44 resulted in large cut-backs of military orders in the United States. This led to the extreme dislocations that characterized the change-over to production of peacetime goods in such key war industries as auto, electrical machinery and appliances, capital construction and machinery, affecting also cut-backs in steel production. The change-over began in 1944, but was delayed from going into high gear as soon as the war was over by the resistance of the employers to higher wages (resulting in the great strike movement of 1946), and by continuing shortages of strategic materials.

Was there a temporary basis for a much higher level of production in the first postwar years than before the war? Our answer must be in the affirmative in view of what actually happened after 1946. In that year an upturn took place, lasting into the autumn of 1948. At the high point, before the beginning of the present decline, production was still more than 12 per cent below the war peak, but stood 80 per cent above the prewar year.

It is first necessary to note that the distortions of the economic cycle caused by the general crisis of capitalism were expressed in this postwar upturn of production primarily through the important role played by the high level of government spending for armament and for financing of the encirclement and expansionist policies. There can be no question that these heavy expenditures, approaching 10 per cent of the gross national product, played a significant role especially toward the end of 1947 and during 1948 in stimulating the upward movement of the economy and in postponing the decline.

At the same time, private capital investment, which underlies the movement of the capitalist cycle, was greatly expanded. In the three years 1946-1948, $47 billion was invested by private business for new plant and equipment, as compared with $25 billion invested by government and

business together during the entire five years of war. The figure for the recent years is, of course, greatly inflated as a result of price increases and inventory speculation, and it is not entirely comparable to the wartime figure because of the much greater role played by expenditures for rationalization of production rather than for new capacity. But the significant fact remains that as a result of these large capital investments, although they still remained small in comparison to existing productive capacities and to available capital, *the basic critical factor of over-capacity in relation to markets has been immeasurably increased on top of the already enormous over-capacity created during the war.*

From the postwar tendencies already apparent we must come to the conclusion that a crisis of overproduction is now upon us and that it operates within the framework of an over-all decline of the economy that began in 1943. Despite the high level of the economy compared with the prewar years, the postwar economy has fluctuated well below the wartime peak. There has been this over-all declining movement for the past five years, taking place through the ups and downs of the economic cycle, which is the product of the capitalist mode of production.

Thus, the tendency of general decline, which first came forward in the thirties, has again made itself felt since 1943, but at a much higher level of the economy. Moreover, the factors making for a sharper expression of this tendency have accumulated during the war boom and the postwar upturn of 1946-1948. If the present decline goes into a slump approximating the plunge of the early thirties—that is, by almost 50 per cent—the level of production would soon be approaching the low point of the prewar crisis in 1938, with unemployment ranging much beyond the 12,000,000 of that year. In view of the many political factors involved, especially the danger of war, no one can predict such a development with certainty. At most we can only indicate the factors that point in that direction, and seek to estimate the strength of the counteracting forces that are now present or that may be set in motion.

A number of features of the present crisis, even in its early stage, immediately reflect the general crisis of capitalism. One of these features is the instantaneous global aspect assumed by the economic crisis. Under the impact of the general crisis, and because of the much greater world role of the American economy, serious unemployment and symptoms of overproduction and contracting markets now appear simultaneously in many capitalist countries. This heightens the crisis elements in the American economy.

Still another characteristic of deep-rooted instability is the unusually large number of unemployed accompanying a comparatively slight decline of production. With output declining only six per cent in six months, unemployment more than doubled to the reliably estimated number of 5 million. At this rate, it would take precious little depression to produce within a short time the "normal" army of unemployed of well over 10,000,000 that arose during the so-called recovery of the thirties. And this is occurring on top of a constant deterioration of the conditions of the workers, the Negro people and the lower middle classes, especially since the end of the war, greatly accentuating the crisis factors.

Another important symptom of acute crisis that should be noted here is the beginning of the crisis in agriculture ahead of the industrial decline and the merging of the farm crisis into the economic crisis as a whole.

Present signs point to the emergence of a prolonged crisis of agriculture, recalling the chronic crisis that persisted constantly throughout the two decades between the world wars. The crisis now developing will have especially severe consequences for the Negro croppers and tenants on the Black Belt plantations.

The most important long-range factors making for a deep crisis are the effects of the general crisis upon the world market as a whole, as discussed previously. In addition, a number of factors arising specifically from the American economy make for a prolonged crisis, although their effects are felt unevenly in different branches of the economy, and account for abnormal developments. The most significant of these, as already indicated, is the high level from which the crisis begins, building up an unprecedented degree of over-capacity and an unusually large labor force, with the result that we are to expect an immense army of unemployed even in the early phase of the crisis.

Among other important factors tending to deepen the crisis is the high level of monopoly. Due to centralized control over great capital accumulations, capital investments in vast spheres of the economy can be suddenly cut off by comparatively few powerful centers of monopoly, which control the mainstream of investment, thus provoking a sudden slump.

The significant further growth of monopoly over the past decade, especially the new wave of mergers in the food and clothing industries, also has the effect of maintaining prices at high levels, while cutting production, thus accentuating the crisis movement. The people are burdened with high prices in the midst of declining incomes, growing unemploy-

ment and part-time employment. It is true that even the great trusts may not be able to resist drastic price declines in a severe crisis, but they are able certainly during the earlier stages of the crisis to place a floor under declining trustified prices, thus imposing new restrictions upon the market and hastening the crisis. These tendencies greatly increase the under-utilization of capacity, which has been a chronic element of the American economy since the boom of the twenties.

Still another important factor tending to aggravate the crisis is the resumption of high productivity rates, on top of significant although apparently uneven gains made during the war. The ever more extreme rationalization of industry resulting from the new re-equipment of recent years facilitates all forms of speed-up, and increases the rate of exploitation of the workers. The effects of the new technology and the refined speed-up systems are already becoming evident in terms of lay-offs and partial employment, in addition to the sweating of the employed workers. The full effect is still to be felt as the employers attempt to shift the entire burden of the crisis to the backs of the workers. The employers will increasingly utilize speed-up, combined with rationalization, to maintain their rate of profit by greater exploitation of the workers. Already the workers see the speed-up as a sensitive indicator of approaching mass lay-offs and severe crisis, and it has become a central issue of struggle.

These then are among the principal factors that operate to carry the economic crisis into an exceptionally acute stage.

Among the most important factors tending to counter-act this tendency are the mass struggles against efforts to shift the burden of the crisis to the people, every success of the workers in this struggle tending to cushion the crisis.

At present the most important counter-acting factor is the high level of government spending for arms and for the so-called cold war. These expenditures played a role, as already noted, in sustaining the postwar upturn. But the outstanding fact that now becomes apparent is that they are not sufficient to reverse the crisis. The rate of military and "cold war" spending was at its highest in the autumn of 1948, but it was precisely then that the present economic decline began. The increased pace of military spending projected for the immediate future, while it may for a time slow down the tempo of the development of the crisis, is clearly insufficient to prevent an acute stage, as the powerful crisis factors come into full play.

The Monopoly State and War

The real danger that confronts us is that war itself will become more and more tempting to monopoly capitalism, as the crisis becomes more serious, going beyond the "shake-out" stage that monopoly heartily desires as a means of settling accounts with the trade unions and forcing out competitive and medium producers.

In placing the question this way, we do not mean to overlook the great pressure for a sharp turn to a full-fledged war economy and war itself even at this stage, before the crisis becomes too acute. But the very conditions of the general crisis of capitalism which we have discussed, especially the further shift of world forces in the direction toward socialism and democracy, make it extremely difficult for monopoly capital to find a way out of its present critical position by war.

This, of course, is not sufficient reason to keep monopoly capital from attempting that course. Even now, American monopoly capital is following a policy that leads to war and is engaged at home in an extensive oppressive movement against the people, of which the attempt to illegalize the Communist Party is the spearhead. As the crisis deepens the pressure in that direction will also grow.

Important positions have been won in our country by reaction, which increase the danger of war. Billions for armaments and "cold war" have not altered the basic crisis trend but they have had significant effects upon the structure of monopoly and the state. The closer coalescence of monopoly and the state, in a period when American imperialism seeks greater world domain, has led to advances in the militarization of the state, to the increasing role of the military-monopoly combination within it and to a new permanent role of military spending in the American economy. We now see emerging the outlines of a militarized monopoly state, with all that implies in terms of fascist-like reaction and the danger of war. Increasing efforts are made to coordinate the trade unions into this framework, at present largely by winning the support of the top leadership to the military and expansionist programs, while imposing restrictions of the Taft-Hartley type on the workers.

This is today the dominant trend in America. But it would not do to overlook the various palliative measures which are now being bruited in Washington and which monopoly capital may support as the crisis grows.

The dominant trend to which we have referred is expressed very suc-

cinctly by the head of a top government war-planning agency when he describes the aim of economic mobilization as the creation, in his words, of a "centrally planned, controlled and directed economy" in support of the armed forces. Such an economy did not exist in the United States even during the war, for planning on this order is impossible under the inherently chaotic conditions of capitalist production. In any case, what is now taking place is the monopoly-type coordination of various sectors of the economy on behalf of the main centers of monopoly, in connection with the building up of the elements of a new war economy.

Another apparently contradictory, trend is expressed by the Employment Act of 1946, and the aims enunciated by the President's Council of Economic Advisors, which was created to help carry out the purposes of the Act. These are defined as "promoting maximum employment, production and purchasing power," along the lines theorized by Keynes, and analyzed by William Z. Foster in his Communication to this Conference. It is said that this trend stands in *apparent* contradiction to the dominant military trend, because these two trends may in reality become one, as was demonstrated by the program of the Nazi Party in Germany and the Fascist Party in Italy.

However, we cannot leave the matter at this point. We must note that the President's Council of Economic Advisors, impressed by the obvious symptoms of a serious crisis, is attempting to steer a "middle course" between complete military-monopoly coordination of the economy and a so-called welfare state. In their third annual report, the Advisors realistically disclaim any intention of social planning but come out for the concept of the "managed economy," with slight New Deal undertones of deficit financing to offset the crisis.

By a managed economy they mean, as they put it, "those kinds of Government activity which may influence or even control some types of economic activity so long as they do not transform the essential character of the economy," that is, capitalism. Stressing all along that extreme measures should be avoided that would weaken "private enterprise" and the freedom of the trusts, the Advisors define the middle course as follows:

"In the jagged manner which is typical of the progress of social policy in this country, we shall move in developing our own peculiar pattern of business and government activity in a mixed economy which is neither a planned society nor a system of laissez faire."

Of course, this is Utopian, in a society that is already dominated by

monopoly and is moving constantly toward every greater concentration of economic power and the more open domination of the state by monopoly. No such middle course exists. Nor can there be a "mixed economy" in which social planning plays any role, just as long as monopoly rules the state. Programs for a "managed" or "directed" economy are deceptive, hiding the underlying process of trustification and the growth of state monopoly capitalism, of which they are an expression.

That much should already be clear from the experiences of the thirties. The New Deal utilized many elements of the "managed economy" in the effort to lift the country out of the depths of the crisis. The N.I.R.A. codes were important steps in the state-sponsored cartelization of the economy, that is, the bringing of entire economic sectors under the direct control of the leading monopoly firms. This is the main direction of state intervention in the economy, which grows constantly and which is an important aspect of the general crisis of capitalism.

While there should be no illusions on that score, the mistake should not be made of failing to press for the kind of social measures that will alleviate the worst effects of the crisis on the people. This becomes one of the central means of the working class and progressive movement for forcing the monopoly state to cut down on military spending and increase social spending. Let us remember that the New Deal gains of labor, the Negro people and other sectors of the population were concessions won in the field of class struggle and that they had to be maintained by the utmost vigilance and by constant political mobilization of a people's coalition against monopoly and reaction.

Perspectives

What perspective emerges for the immediate period ahead?

If our general analysis is correct, we have unfolding before us a period of extremely sharp struggles in which it will become possible for the progressive forces to hold reaction in check and themselves make significant advances. This perspective arises from the conclusion that the relation of world forces is such that war can be held off as the economic crisis approaches an acute stage.

In placing the matter in this fashion, we do not mean to set up a balance between the crisis on the one hand and the war danger on the other. It is obvious that they are both developing together, and they aggravate each other. As the crisis grows deeper, monopoly capital will seek war

as a way out more persistently. But the pressure from the workers and the people will also grow for social measures to meet the crisis emergency.

Certain strata of the skilled workers, large sectors of the farmers and substantial parts of the middle class will suddenly be deprived of the relatively high standards to which they have become accustomed for almost a decade. The mass of workers and lower middle classes, and especially the majority of the Negro people, will face the immediate danger of utter destitution, many among these not even having the benefit of meager security payments by the state. With reaction now uppermost, and keeping in mind the inroads that have been made on the mentality of the people, the pro-fascist forces may register further successes in directing the dissatisfaction of the people along reactionary channels leading to war. But basically, the situation created by an acute crisis is objectively unfavorable to reaction and offers new opportunities for the progressive forces, provided they know how to use them, for altering the political trend in their direction.

If this is correct, the problem of war or peace will be solved primarily as a result of the outcome of the great impending mass struggles of the new phase of economic crisis, which will deepen the general crisis and call forth new important forces at home and abroad in the struggle for peace.

[TWO]

The Developing Crisis in the United States

BEFORE WORLD WAR II American capitalism was unable to overcome the depression of a special kind which followed the cyclical crisis of 1929-1932. The period 1933-1939 was characterized by permanent mass unemployment, by the continuing lag of producer goods industries behind consumer goods industries, by unprecedented under-utilization of industrial capacity, by the drying up of capital exports and by the chronic crisis of agriculture.

Non-agricultural production—that is, the total volume of industrial production, mining, construction, transportation and electric and gas utilities—was 5 per cent lower in 1939 than in 1929 despite an increase of over six million in the total labor force. Under-utilization of capacity increased from about 19 per cent of total capacity in 1929 to over 33 per cent in 1939. According to the official count, unemployment averaged 9.5 million during that year.

The ratio of productive workers to non-productive workers fell during the thirties, reflecting the increasing parasitism of American capitalism. Productive workers comprised 44 per cent of all employed non-agricultural wage and salary earners in 1929. By 1939 the ratio of productive workers had fallen to 39 per cent.

Industrial production was about one per cent lower in 1939 than in 1929. But the employment of production workers in manufacturing dropped six per cent and man-hours of work 20 per cent. Increased productivity swelled the pool of permanently unemployed workers. Output per man-hour rose 28 per cent in the manufacturing industries during the thirties.

The deepening general crisis of capitalism and the continuing depression of a special kind accentuated the distortions among the various productive sectors of the economy. Thus, the volume of manufactures in 1939 was slightly below the 1929 level. But the output of durable goods industries fell 17 per cent, while the volume of non-durable goods industries rose 17 per cent. The volume of construction declined 33 per cent; the drop in transportation was 10 per cent. Output of electric and

gas utilities increased 37 per cent. Farm production rose seven per cent but farm prices were 36 per cent below the 1929 level.

The Wartime Economy

With the beginning of World War II, there was a sharp rise in production and a large increase in industrial capacity and utilization of industrial facilities based on the output of military supplies. The monopolies dictated major tax concessions and high profit guarantees before entering into military production. An official government body recognized this in 1941 when it reported: "Business refuses to work except on terms which it dictates. It controls the natural resources, the liquid assets, the strategic position in the country's economic structure and its technical equipment and knowledge of processes. The experience of World War I, now apparently being repeated, indicates that business will use this control only if it is 'paid properly.' In effect, this is blackmail, not too fully disguised."*

During the war years, 1940 through 1944, the military needs of the government supplied a vast new market for American capitalism. The total volume of non-agricultural production doubled from 1939 to 1944 Industrial production increased 116 per cent. Some $25 billion was invested in new plant and equipment, with the government supplying some two-thirds of the investment funds. The new industries of synthetic rubber and atomic energy were built by the government, and aviation, shipbuilding and aluminum were vastly expanded with government funds. Private financing of new facilities was largely subsidized by the government through tax refunds based on accelerated amortization. This massive investment in new plant and equipment increased industrial capacity by about 40 per cent, although not all of the new capacity was suitable for peacetime production. At the same time, the needs of the war economy increased by more than one-third the utilization of industrial facilities as measured by machine hours per week. But even at the peak of war production, there was under-utilization of capacity. Cost-plus contracts and the anarchy inherent in capitalist production prevented full utilization. Some 15 per cent of capacity was not utilized during 1944.

The war economy intensified the contradictions of American capitalism. Expansion of productive capacity was very unevenly distributed. Steel ingot capacity increased by less than 20 per cent, while non-ferrous metal

capacity rose by well over 200 per cent. Expansion in the non-metal industries was less than 10 per cent. The aircraft, shipbuilding, light metal and explosives industries, which had little significance in 1939, employed over 20 per cent of the total industrial labor force in 1944. About one-third of the output of manufacturing industries in 1944 consisted of munitions as against only one per cent in 1939. The wartime increase in production and expansion of capacity were geared to the military needs of the government. In relation to the market potentialities of a postwar civilian economy, American capitalism had become much more heavily over-expanded than it had been in 1939.

The instability of the war economy was further reflected in the forced expansion of exports through lend-lease shipments. Exports rose from $3.2 billion in 1939 to a wartime peak of $14.3 billion in 1944. With the sharp reduction in lend-lease immediately after the end of the war, exports fell to $9.8 billion in 1945.

High employment was also geared to war production. Unemployment fell from 9.5 million in 1939 to less than 700 thousand in 1944. The total labor force, including the personnel of the armed forces, increased by more than 10 million, from 55.6 million to 65.9 million. At the war's end unemployment rose, and the total labor force declined sharply.

The monopolies made huge profits which were understated by their charge-offs for accelerated amortization of wartime facilities and subsequent refunds of excess profits carrybacks. From 1939 to 1944, corporate profits rose about 370 per cent before and 120 per cent after taxes. The rate of corporate return before taxes on the fixed investment of stockholders rose from less than six per cent in 1939 to 21 per cent in 1944, an increase in the rate of profit of more than 250 per cent.

By contrast, the wartime wage freeze, inflation and heavy excise and income taxes held down the purchasing power of workers. Basic wage rates increased only 22 per cent from 1939 to 1944, while the productivity of workers rose 25 per cent. Weekly money wages increased substantially, partly as the result of an increase of 20 per cent in the work week and partly because of the concentration of workers in higher paying war production jobs. But if allowance is made for the rise of over 45 per cent in wartime living costs, the impact of heavy excise and income taxes, longer hours and increased exploitation, the position of employed workers in 1944 was but little improved over the 1939 level.

The workers did not accumulate large amounts of savings during the war period. A Federal Reserve Board survey revealed that at the end of

the war 10 per cent of spending units held 62 per cent of total personal savings and 20 per cent of spending units held 80 per cent. On the other hand, 50 per cent of spending units held only one per cent of total personal savings. Millions of working-class families thus had little or no savings.

The market provided by the war economy did not constitute a stable basis for the operations of American capitalism. Even before the war ended, the threat of overproduction arose and the distortions in the relationships of the various sectors of the economy were intensified. Thus, the volume of industrial production reached a wartime peak in 1943 that was 119 per cent higher than in 1939. Manufacturing volume, however, was 134 per cent higher, with an increase of 230 per cent in durable goods industries but only 64 per cent in non-durable goods industries.

From the wartime peak reached in 1943, total non-agricultural production had fallen more than 13 per cent by 1945. The decline in the volume of industrial production was more than 15 per cent; in manufactures more than 17 per cent; in durable goods 24 per cent; in non-durable goods less than six per cent. Construction which had reached its wartime peak in 1942 had declined more than 66 per cent by 1945.

The Postwar Economy, 1946-1948

When the war ended, American capitalism faced intensified contradictions. It required greatly increased domestic and foreign markets for its expanded capacity to compensate for the sharp shrinkage in the war market supplied by the government. In 1939, private domestic investment had absorbed 10 per cent of gross national product, and government purchases of goods and services took 14.5 per cent. But in 1944, private domestic investment took only three per cent of gross national product, while 46 per cent was absorbed by government purchases of goods and services.

While seeking domestic and foreign markets after the end of the war to replace the government market of the war economy, American capitalism needed to eliminate millions of workers from the labor force, especially older workers, so that the rate of exploitation could be increased sharply. It had to reduce the living standards of the mass of the population to increase the rate of profit on an aggregate of capital that had risen by 40 per cent during the war.

Using the state apparatus, which they dominated, the monopolies car-

ried through a series of measures to increase the rate of profit. First, the monopolists abolished the wartime system of allocations so that they could hoard materials and drive small competitors to the wall. Secondly, they had the bi-partisan coalition in Congress abolish the excess profits tax to clear the way for the greatest profiteering drive in American history. Thirdly, they emasculated and then destroyed price control and let loose the postwar inflation which was far more acute than the wartime inflation. Fourthly, they used the state apparatus to hold down the first round of postwar wage increases and utilized their carryback refunds for strikebreaking activity against the workers.

These measures to increase the rate of profit set the stage for an upward movement of the economy from 1946 to 1948. But the upward movement generated a false prosperity which only temporarily camouflaged the intensification of the contradictions of American capitalism and the maturing of the distorted postwar cyclical crisis.

There was a marked advance by the economy from 1946 to 1948 but at no time was it able to come within striking distance of peak wartime production. The long-term downward trend of American capitalism which re-emerged after 1943 was retarded but not overcome by the postwar upward movement. The total volume of non-agricultural production in 1948 was 10 per cent lower than in 1943; industrial production was 20 per cent lower; the volume of manufactures 23 per cent lower; durable goods 40 per cent lower. Farm production rose above the wartime peak to meet the emergency demand of war-ravished countries, but by the beginning of 1948 agricultural overproduction brought a sharp break in farm prices and the re-emergence of the chronic agrarian crisis, as an aspect of moribund American capitalism.

The upward movement from 1946 to 1948 was based upon these factors: huge capital expenditures for new plant and equipment to replace obsolescent facilities and to expand production of high profit goods; inventory accumulation by the monopolies for speculative profits; expansion of construction activity; government subsidizing of exports through military occupation, the British loan and the Marshall Plan; spending, mostly by the top 20 per cent of families, for consumer durables and housing; rising government expenditures for the "cold war"; and the increased exploitation of the workers through inflation and higher productivity.

The postwar rise in production that began in 1946 was paced by record-breaking investment in capital goods. Capitalists made heavy

expenditures for new plant and equipment partly to replace equipment that was obsolete and partly because they counted on exploiting new foreign markets made available by the increased strength of American imperialism in relation to the rest of the capitalist sector of the world. In addition, the monopolies were assured of government spending on a scale very much larger than before the war.

Using their huge accumulation of war profits, the capitalists carried out large-scale modernization of their plants and facilities and increased industrial capacity. Soft-goods industries like textiles replaced machinery that had been obsolete before the war. Industries like petroleum and chemicals expanded capacity to meet high domestic and foreign demand. Steel expanded its high-profit facilities but did not increase its capacity by any substantial amount. The electric and gas utilities, the railroads and communications industries made large investments in new plant and equipment that had been deferred during the war because of the shortage of critical materials. But shipbuilding, aircraft and machine tools stagnated because of wartime overexpansion.

Expenditures for new plant and equipment rose from $6.6 billion in 1945 to $18.8 billion in 1948. Manufacturing industries increased their expenditures from $3.2 billion to $8.2 billion; railroads from $550 million to $1.3 billion; electric and gas utilities from $630 million to $2.6 billion. Industrial capacity increased about 50 per cent above the 1939 level.

The rise in construction was another factor in the upward movement of the postwar economy. Value of construction put in place rose from $4.8 billion in 1945 to $17.7 billion in 1948. Rising prices inflated the dollar volume of construction, but physical volume was 140 per cent higher in 1948 than in 1945. The rise in construction was based on the acute need for new housing (even though it could be paid for by only the top 20 per cent of families) and government construction of public facilities that had been neglected during the war. Residential building rose from less than $700 million in 1945 to $7 billion in 1948, and government construction from $2 billion to $4 billion.

Inventory speculation—based on the postwar inflation—also provided a significant stimulus for increasing production after the war's end. Manufacturing inventories rose from $17.9 billion at the end of 1945 to $31.8 billion at the end of 1948. Business inventories as a whole increased during this period from $29.2 billion to $54 billion. Inven-

tory profits of corporations amounted to over $13 billion in the three-year period, 1946-1948.

Gross private domestic investment in new construction, producers' durable equipment and inventory accumulation was the driving force behind the upward movement of the postwar economy until 1948, although the scale of capital investment was based, of course, upon the continuation of large government expenditures in the postwar years. Gross private domestic investment absorbed only three per cent of the gross national product in 1945; by 1948, it accounted for 15.6 per cent of the national product, a higher proportion than in 1929. In dollars, the increase was from $9.2 billion in 1945 to $39.7 billion in 1948.

Exports were still another factor in the upward movement of the economy. American exports increased from 1945 to the middle of 1947 as the result of the use of the dollar resources of foreign countries and the British loan. From 1945 to 1947 exports rose from $9.8 billion to $15.3 billion. From mid-1947, following the depletion of dollar resources, the exhaustion of the British loan and the tightening boycott of the Soviet Union and Eastern Europe, exports declined and amounted to $12.6 billion in 1948 despite nine months of Marshall Plan shipments.

During the postwar upward movement there was a sharp rise in the output of consumer durable goods. The market for heavy consumer durables like automobiles, refrigerators and washing machines was largely provided by the upper middle and top income groups. Use of installment credit enabled higher-paid workers to replace worn out automobiles and household equipment. But high postwar prices and the fairly rapid exhaustion of postwar markets for heavy consumer durables indicate that the demand for these products after the war was largely concentrated in the top fifth of American families.

The output of passenger automobiles rose from some 2 million in 1946 to around 4 million in 1948; refrigerators from 2 million to 4 million; washing machines from 2 million to 4.5 million; electric ranges from 600 thousand to 4.5 million; television receivers from a few thousand to almost one million.

By the end of 1947, overproduction emerged in some consumer durables. Radio production rose from 14 million sets in 1946 to over 20 million in 1947; in 1948 output declined to 16 million sets. The output of vacuum cleaners rose from 2 million in 1946 to 4 million in 1947 and then declined to 3.5 million in 1948. Production of water

heaters rose from 3 million in 1946 to almost 4 million in 1947 and then fell back to about 3 million in 1948.

A steep increase in consumer credit supported the postwar market for consumer goods. Workers went into debt after exhausting their meager savings to purchase radios, household appliances, furniture, clothing. From the end of 1945 to the end of 1948 consumer credit outstanding rose from $6.6 billion to over $16 billion. Installment credit increased from $2.3 billion to $8.2 billion.

Within the framework of the upward movement, there were uneven developments. By the second quarter of 1947, the postwar upturn began to lose momentum. Spiralling prices cut deeply into the purchasing power of the mass of the people and were reflected in lower food consumption and declining retail sales of other essentials. The volume of industrial production dropped from 190 in March to 176 in July, although part of the decline reflected the failure of the Federal Reserve Board index to take into account the seasonal impact on industrial output of the new postwar factor of workers' summer vacations. Luxury and entertainment industries were hard hit. Radios, shoes, women's clothing and textiles ran into declining sales. The business press announced that the postwar depression was getting under way.

At this point, just as the first drop in monthly exports since the end of the war took place, the Marshall Plan was announced. Abroad the Marshall Plan was the extension of the Truman Doctrine to the problem of attempting to restore the battered positions of monopoly capital in Western Europe. At home, it was designed to bolster the sagging economy. On the basis of the Marshall Plan proposals and the intensification of the cold war, inflation received a strong new stimulus. The food trusts raised prices sharply, using the excuse of the short 1947 corn crop. The other monopolies also went on a price raising spree, with the second postwar round of wage increases as their excuse. From mid-1946, when price control was scuttled, to the beginning of 1948, consumer prices, as measured by the inadequate index of the Bureau of Labor Statistics, rose 27 per cent.

The upward movement of the economy was resumed in the third quarter of 1947, as production increased and was sustained by rising expenditures for capital goods and government spending for the "cold war." But the upward movement lost momentum. For 1947 as a whole industrial production was 10 per cent higher than in the previous year

but less than 3 per cent higher than the level attained in the fourth quarter of 1946. The maturing economic crisis was reflected in the shrinking share of national product going into consumption, as sky-rocketing prices wiped out the money gains of the first two postwar rounds of wage increases and cut the purchasing power of the workers. In 1947 only 71 per cent of the national product went into consumption compared with 75 per cent in 1939 and 76 per cent in 1929. The foreign market continued to decline despite announcement of the Marshall Plan. And as more industries completed their postwar expansion programs, the monopolies began concentrating on labor-saving installations to intensify the exploitation of the workers.

By the beginning of 1948, the postwar non-governmental factors which had temporarily helped sustain the upward movement of the economy began to weaken. In February 1948 the grain markets broke badly and carried major farm commodities down with them. The general concern of the monopolists over the situation was reflected at the time in the statement of the National City Bank that "it seems to be true . . . that uneasiness over the outlook is increasing. The country is riding the boom not confidently and comfortably, but rather with a sense that the position becomes more precarious as time goes on."

At this juncture, another shot in the arm was injected in the form of a massive re-armament program even before the Marshall Plan got under way. The armaments program combined with the Marshall Plan again temporarily staved off the outbreak of the cyclical economic crisis. Government expenditures for goods and services rose sharply from $28 billion in 1947 to $36 billion in 1948. As the private sector of the economy began levelling off, government expenditures accelerated from an annual rate of $30.5 billion in the first quarter of 1948 to $41.5 billion in the final quarter. The annual rate of gross private domestic investment, by contrast, increased only from $38 billion in the first quarter to $42.8 billion in the fourth quarter.

The Economic Crisis

This steep acceleration of government expenditures for goods and services did not prevent the beginning of a crisis of overproduction in the fourth quarter of 1948. The economic crisis, twice postponed by "cold war" expenditures, began to develop in various sectors of the econ-

omy, paced by the outbreak of a crisis in agriculture, which is examined in a separate report. As the crisis in agriculture and the developing crisis of overproduction interact, both will become more severe.

By the fall of 1948 overproduction in textiles, shoes and clothing caused a contraseasonal decline in employment and an even sharper reduction in the work week. Between October 1948 and March 1949, plant shutdowns and part-time work were reported in washing machines, refrigerators, furniture, stoves, oil burners, heating equipment and radios. These declines in employment paralleled declines in the retail sales of these consumer products.

Industrial production as a whole declined from 195 in November 1948 to 184 in March 1949, a drop of about 6 per cent; manufactures from 201 to 193, a decline of 4 per cent; durable goods from 229 to 223, a decline of 3 per cent; and non-durables from 178 to 168, a decline of almost 6 per cent. Part of the decline in overall production in March was due to a two-week coal mine strike. But in April, as steel production declined, overall industrial output fell to 179, a drop of 8 per cent from last November.*

Increased monopoly control—the 200 largest non-financial corporations now own about 65 per cent of all non-financial corporate assets compared with less than 50 per cent in 1929—accentuates the contradiction between production and the market. The monopolies keep prices high, particularly of cost-of-living essentials, and use production cutbacks to maintain monopoly prices, thereby generating greater unemployment. Thus, the maintenance of high prices—although the monopolies cannot prevent price breaks—is a specific feature of the developing crisis.

The impact of the developing crisis of overproduction has been reflected in a sharp drop in non-ferrous metal prices. Lead, zinc and copper prices declined 35 to 50 per cent from their postwar peaks. These price breaks in March and April of 1949 and the growing pressure on steel prices are significant indicators of the developing economic crisis, since these prices are monopoly-controlled. Their declines reflect the impact of the growing crisis of overproduction throughout the economy.

The sharp drop in new orders for freight cars is another reflection of the developing crisis. During the first quarter of 1949 new orders for this equipment were only about 10 per cent of the new orders placed in the first quarter of 1948. As backlogs are worked off in the production

* By July 1949, industrial production had declined 15 per cent from the November 1948 level.

of freight cars and machinery, overproduction will develop in the producer durable equipment industries.

The growing crisis of overproduction has brought about a large increase in unemployment. According to the Census Bureau, unemployment rose from 1.6 million in October 1948 to 3 million in April 1949. These figures are an understatement of unemployment. The actual level of unemployment during April was in the neighborhood of 5 million. Unpublished government studies which have corrected the inadequate estimate of the Census Bureau admit that unemployment was about one million higher than its figure. In addition, almost 10 million workers had employment of less than 34 hours a week in April.*

Discrepancies in the Census Bureau's figures have been criticized even by the business press. One such discrepancy is the statement by the Census Bureau that the number of employed fell about 4 million from July 1948 to April 1949 but that the number of unemployed increased only by less than one million. The Alexander Hamilton Institute attempted to explain away this discrepancy as follows: "This substantial decrease in employment was not accompanied by a corresponding increase in unemployment because the supply of available labor declined."

The inability of American capitalism to provide full employment after the end of the war forced millions of workers, particularly women and older men, out of the labor market. The labor force in 1944 reached 66 million, an increase of about 10 million over the 1940 level. But by 1946 the labor force had been reduced to less than 61 million and was still less than 63 million in 1948. About one million persons have been added to the labor force each year since 1944 so that full employment would have required providing about 69 million jobs in 1948. Actually, American capitalism in 1948 provided civilian jobs for 59 million, while over two million were unemployed and more than one and one-quarter million were in the armed forces. Six million were excluded from the labor force because there were no jobs available.

These figures indicate that there was mass concealed unemployment throughout the postwar upward movement. By the beginning of 1949, mass unemployment could no longer be concealed by statistical sleight-of-hand, and government economists were saying that 4 to 5 million unemployed should be regarded as a "normal" and "healthy" stimulus for speeding-up workers.

The postwar upward movement not only failed to provide full em-

* The Census Bureau's estimate of unemployment in July 1949 was over 4 million. Actual unemployment was about 6 million.

ployment but reflected the increasing parasitism of American capitalism. The ratio of productive workers to non-productive workers fell from 1944 to 1948, thus reversing the temporary wartime trend when utilization of industrial capacity increased. Productive workers comprised 44 per cent of the total number of employed non-agricultural wage and salary earners in 1944; by 1948 the ratio had declined to 41 per cent. Back in 1929 the ratio had been 44 per cent.

Production workers in manufacturing industries have been hard hit by the developing crisis. Employment of production workers fell from 13.5 million in September 1948 to 12.4 million in March 1949, a decline of more than eight per cent.* Measured in man-hours worked, the drop was more than 10 per cent, reflecting the increasing trend toward part-time work. The decline in man-hours worked was eight per cent in iron, steel and their products, 11 per cent in electrical machinery, 12 per cent in non-ferrous metals, four per cent in autos, 20 per cent in lumber (partially reflecting seasonal influences), 11 per cent in furniture, 11 per cent in textile products, eight per cent in paper, five per cent in chemicals and eight per cent in rubber products.

Declining production has been accompanied by a drop in freight car loadings. Railway freight traffic in 1948 was about four per cent below 1947. In the first quarter of 1949 car loadings were 11 per cent lower than in the first quarter of 1948. Preliminary data indicate that in the second quarter freight traffic will be 10 per cent below the same 1948 period. The decline in freight car loadings, sharper than the fall in industrial production, is an important indicator of the development of the crisis of overproduction, since it reflects production cutbacks and the piling up of unsold goods. The decline in freight loadings has been accompanied by mass layoffs of railroad workers.

Overproduction and its resulting unemployment and part-time work are the results of the contradiction between social production and private appropriation. The postwar inflation and intensified exploitation cut real wages by 15 per cent from the beginning of 1945 to the end of 1948. Shrinking purchasing power reduced the share of the national product going into consumption from 75 per cent before the war to less than 70 per cent in 1948.

The share of the national income siphoned off into corporate profits rose from 11 per cent in 1945 to 14 per cent in 1948, while the share going into the compensation of employees declined from 67.5 per cent to

* By June 1949, the employment of production workers had fallen to 11.9 million, a decline of about 12 per cent from the [illegible] 1948 [illegible]

62 per cent. Before the war the share going into the compensation of employees had been 66 per cent and the share of corporate profits nine per cent. Even in 1929 the share of corporate profits had been only 11 per cent.

Through increased exploitation and inflation, the monopolists made huge profits after the war. Corporate profits before taxes rose from $20.4 billion in 1945 to $32.8 billion in 1948, an increase of over 60 per cent. After taxes, corporate profits increased from less than $9 billion to more than $20 billion, an increase of over 130 per cent.

The ratio of corporate profits to wages and salaries rose from 31.7 per cent in 1945 to over 41 per cent in 1948. In manufacturing industries, the increase was much larger. The ratio of manufacturing corporate profits to the wages of production workers rose from 40.7 per cent in 1945 to almost 69 per cent in 1948.

These figures reflect the soaring rate of profit, accelerated by inflation and rising productivity.* The corporate rate of return before taxes on the fixed investment of stockholders increased from 18 per cent in 1945 to about 27 per cent in 1948. Net worth of corporations rose about 40 per cent from the beginning of 1945 to the beginning of 1948.

This analysis indicates that the rate of profit rose about 50 per cent from 1945 to 1948. The corporate rate of profit in 1948 was over 350 per cent higher than in 1939. In manufacturing industries, the increase was much greater. The rate of return before taxes on stockholders' investment in manufacturing corporations rose from 20 per cent in 1945 to over 34 per cent in 1948, an increase of about 70 per cent.

By 1948, however, the rate of profit began to reflect the uneven development of the upward movement. The big monopolies continued to increase their rate of profit, but small and medium corporations began to show a slow decline in their rate of profit. At the beginning of 1949, some soft goods industries were reporting declines in their volume of profits. During the first quarter there were no signs of a reversal in the trend of the general rate of profit as the capitalists used intensified speed-up to offset the effects on profits of declining production.

The economic crisis that began in the fourth quarter of 1948 became more pronounced in the first quarter of 1949, although the tempo of the developing crisis was uneven. Production of non-durable goods continued to decline with weaknesses developing in rayon, oil and paper.

* The Department of Commerce has consistently understated corporate profits. Revised figures reveal that corporate profits before taxes were $34.8 billion in 1948 and not $32.8 billion as previously reported.

Durable goods production also slid down but the output of this sector as a whole was held up by the high output of steel and automobiles. Coal output and construction activity declined.

Industrial prices began to weaken and affected even the monopoly sectors of oil, non-ferrous metals and steel. Retail prices were under pressure, and retail sales declined despite the greatly increased promotional activity of department stores and mail order chains. There was a drop in installment buying—the first in the postwar period.

National income and consumption went down as layoffs and part-time work cut the purchasing power of workers and falling farm prices that of farmers. Factory workers were particularly hard hit. Their average weekly wages fell from $55.10 in December 1948 to $53.37 in March 1949. Average hours worked per week declined to 38.9 in March, the lowest level of the postwar period. The cut in manufacturing wages from September 1948 to March 1949 was $71 million a week or at a rate of $3.7 billion a year, representing a 10 per cent loss in wages.

Immediate Prospects

Against this background of developing overproduction and declining purchasing power, the factors—except government spending—which had sustained the postwar upward movement began to weaken markedly as the contradiction between production and the market was intensified. The government estimates that expenditures for new plant and equipment in the second half of 1949 will be under the level of the second half of last year.

The government's estimate of 1949 expenditures by the manufacturing industries indicates a substantial decline which may be increased by cancellation of projects planned for oil and chemicals. Postwar expansion had been largely completed in most manufacturing industries by the end of 1948. About half of capital expenditures in 1948 was for replacement of obsolete facilities and installation of labor-saving machinery. The trend from now on will be to replace workers through labor-saving machinery and increased speed-up. Since the monopolists can no longer use inflation to increase the exploitation of the workers, they will concentrate more on speed-up to combat the coming decline in the rate of profit. In 1949 more than 500 thousand manufacturing workers will lose their jobs as the result of higher productivity. This factor, by increasing the gap between production and the market, will

accelerate the tempo of the developing economic crisis and increase the army of unemployed.

Construction activity may be lower in 1949 than a year ago. The indicated decline in residential building is 10 per cent, and private industrial construction is also declining. Increased public construction will offset but not check the downward trend in construction activity.

Production for inventory accumulation will no longer play the role it did from 1946 to 1948. The problem in 1949 is to reduce business inventories, which by the end of the first quarter were three times greater than prewar. In March manufacturing inventories declined for the first time since the end of the war. As a consequence of the growing pressure on inventories, bank loans to industry fell by an unprecedented amount during the first five months of 1949.

Investment in capital goods, construction and inventories will therefore be much lower this year than a year ago. The decline from last year's level of $40 billion and the fourth quarter annual rate of $43 billion will be largely determined by the tempo of the developing economic crisis.

Foreign trade as a prop has been weakening since mid-1947. With the decline in American prices, it will become more difficult for foreign countries to build up dollar resources by selling goods to the United States. At the same time, government subsidizing of American exports is wearing out as a stimulant. In fiscal 1947 government financing of exports, including the British loan, amounted to $6.6 billion. Government expenditures for exports in fiscal 1949 were $7.2 billion. The projected expenditures for fiscal 1950, including lend-lease arms shipments, are $7.8 billion, provided Congress does not cut Marshall Plan appropriations. This slight increase in government subsidizing of exports will not reverse the downward trend of foreign trade that will be intensified by the developing world economic crisis and its inter-action with the economic crisis in the United States.

Of all the postwar stimuli to production only government spending will increase. Government expenditures for goods and services will rise during the remainder of 1949, but the increase will be considerably smaller than the rise which took place last year. Moreover, the economic crisis will be at a higher stage of development so that this year's smaller increase in government expenditures for goods and services will have less of an offsetting effect than it would have had a year ago. Without these increased government expenditures, the current uneven decline would degenerate rapidly into a steep fall. As it is, the projected scale

of government expenditures will act as a brake on the decline, but will not halt the downward trend of the economy.

Government purchases of goods and services accounted for 14 per cent of gross national product in 1948, compared with 12 per cent in 1947. This year, assuming a modest decline of only five per cent in gross national product, the share of gross national product absorbed by the government on the basis of the programs projected by the Truman Administration would be about 19 per cent. By contrast, it should be noted that when the war economy was going full blast in 1943 and 1944 the government's share was 46 per cent. These figures are an indication of the gigantic increase in government expenditures that would be required to reverse the developing economic crisis by putting the country on a full war footing.

The growing crisis of overproduction will continue at a faster tempo in the second half of this year. Capital formation and the rate of profit will be increasingly affected. Profits in the aggregate will decline, and more corporate profits will be diverted into parasitic accumulation in the form of government securities and cash reserves. The decline in the rate of profit and the drop in capital investment will then shape the next phase of the developing economic crisis. However, the uneven development of the crisis will continue into its subsequent more serious phase as the result of the distorting impact of "cold war" expenditures.

Living standards will fall all through the year due to increased unemployment and part-time work. By the end of the year the unemployed may number between five and six million even by the inadequate estimates of the Census Bureau. Unemployment on this scale will greatly widen the gap between production and consumption and push the economy toward an acute crisis.

Increased cold war expenditures in 1947 and 1948 deformed the pattern of the maturing economic crisis but could not prevent its beginnings. In 1949, the increase in government spending will hinder the development of the economic crisis but will not prevent the spread of the crisis to steel and other heavy industries, which during the first quarter had not been affected because of work on armament and backlog orders.

The only method American capitalism has of retarding the rapid deepening of the cyclical crisis within the next year is the transformation of the present cold war economy into a full-blown war economy. The first step in this direction would require government purchases of about

30 per cent of gross national product. This would mean increasing government purchases of goods and services from the present projected rate of $44 billion this year to over $75 billion, with the Federal share rising from $28 billion to $58 billion.

An increase of this size—which would raise the Truman budget by about $30 billion—would still fall far short of the 45 to 50 per cent absorption of gross national product during the last war, would create a government deficit of over $30 billion that would necessitate heavy tax increases and other measures to put the brunt of the burden on the workers and cut their living standards. A wage freeze, a labor draft, a sharp curtailment of the present grossly inadequate social services would be essential prerequisites for even this partial step toward total mobilization and an adventurist plunge into war.

Short of such measures which must be geared to an early deadline for war, the continued development of the economic crisis cannot be held back for long by "cold war" programs. And such mobilization measures, if taken by American capitalism, would be an act of desperation that would greatly intensify all its contradictions on a national and world scale. The general crisis of capitalism would be enormously deepened as the United States and its satellites were transformed into war economies, with the imposition of crushing armaments burdens, the disruption of their internal economies and the mass impoverishment of their peoples.

American capitalism cannot achieve stability by increasing "cold war" expenditures. They will be "too little and too late" to do more than impede the developing cyclical crisis. Short of war and total war mobilization of the economy, American capitalism cannot overcome the growing crisis of overproduction, the shrinkage of domestic and foreign markets and the coming decline in capital formation and the rate of profit.

The economic decline in the first quarter of 1949 highlighted the acute problems confronting American capitalism. Gross national product on an annual basis fell $8.3 billion below the rate of the fourth quarter of 1948.* Consumer expenditures declined at the rate of $4.4 billion, and investment in producer durable equipment, construction and inventory at the rate of $4.7 billion. The decline in gross national product was somewhat less than 3.5 per cent, reflecting a drop in production of three per cent and 1.5 per cent in consumer prices. Yet to offset this small decline, government expenditures for goods and services would

* By the second quarter of 1949, gross national production had fallen $15 billion below the level of the fourth quarter of 1948.

have to be increased by $8.5 billion, while the increase projected by the Truman Administration for 1949 is only $3.5 billion, thus leaving a gap of $5 billion.

Moreover, the situation will become worse. A drop of 15 per cent in production by the end of 1949 would be moderate as would be a decline of five per cent in the price level. But this moderate downturn would reduce the annual rate of gross national product by more than $40 billion. To offset this decline, government expenditures for goods and services would have to be increased from the contemplated $44 billion in 1949 to $84 billion in 1950. Such a massive increase could be achieved only by transforming the economy into a full war economy.

Thus, American monopoly capitalism has no means of combating the further development of the crisis except mobilization for war. The London *Economist* in discussing American problems recently pointed out that "despite all the emphasis placed for many years on planning, there is no plan." Truman is resorting to Hoover's methods of credit tinkering and shifting the burdens of the crisis to the masses of the people. The *Economist* concluded that "the conscious intervention of public or private forces . . . can aggravate or modify the course of the readjustment [read —crisis], but probably will not dominate it."

The outlook, therefore, is for the deepening of the crisis of overproduction, with the tempo of development increasing in the second half of 1949, leading subsequently to an acute phase of the cyclical crisis. "Cold war" programs will only aggravate the contradictions of American capitalism and contribute to the depth and duration of the cyclical crisis. Parallel with the development of the economic crisis will be a sharpening political crisis, as the workers and the mass of the people organize to fight against unemployment, the destruction of living standards and the drive of American imperialism to fascism and war.

[THREE]

The "Cold War" and Foreign Markets

AS A RESULT of World War II, the relative economic, military and political weight of the United States was strengthened, while all of its imperialist rivals were weakened. The great centers of concentrated wealth in the United States are attempting to cash in on that changed situation. They seek nothing less than a monopoly over world markets, raw materials and, especially, the ownership of foreign industry and resources through massive capital export.

The blatant character of this drive is symbolized by the statement of the treasurer of the Standard Oil Company (New Jersey) referring to the United States as "the leading stockholder in this corporation known as the world."*

The force of the drive for world domination springs from the internal pressures generated by American monopoly capitalism. The following are most important:

a. The huge profits of finance-capital, combined with the restricted opportunities for domestic investment, have intensified the drive for capital export.

b. The expansion of industry and agriculture during and immediately after World War II was based in no small part on temporary export markets, financed by lend-lease and by postwar government grants and credits. The monopolies seek by all means to maintain and expand these markets, without which the economic crisis in industry and agriculture will be intensified.

c. The increased demand for raw materials at low cost for military and industrial purposes enhances the drive to corner the world's sources of raw materials at the expense of imperialist rivals and of the super-exploited peoples of the colonial and semi-colonial countries.

Capital export, as the key to export of commodities and control of raw materials, has become the central theme of the economic foreign policy of the government and of decisive big business interests.

While the outward drive of finance capital has reached a new peak of intensity, it meets with unprecedented obstacles, as noted in a previous report.

* Leo D. Welch, before the 33rd National Foreign Trade Convention, New York, Nov. 12, 1946.

Because of these obstacles, the expansionist drive of Wall Street has taken on an overwhelmingly military character. The economic aims of finance capital are inextricably intertwined with the military-strategic aims of world domination. The profits from foreign expansion are closely joined to the profits from militarization.

However, the drive for foreign expansion has achieved only limited successes and has received a number of signal defeats.

The foreign economic policies of the United States have not prevented the maturing of the economic crisis, but are in fact accelerating its development at the present time. World war looms as a means for accelerating the drive for world conquest, as the only imperialist solution for the deepening economic crisis of the capitalist world. Needless to say, this method will fail also, should American people not succeed in blocking the drive to war.

Postwar Foreign Trade

After World War II, United States corporations took advantage of the world-wide shortage of goods to boost their exports to record levels. The export boom reached its peak in 1947, when goods valued at more than 15 billion dollars were sold abroad. This is twice the value of exports in 1919, three times the value of exports in 1929 and five times the average annual value of exports in the years before World War II.

These shipments undoubtedly contributed significantly to the inflationary upturn and to the fantastic profits of the monopolies.

Analysis shows, however, that the increase in exports was unstable in character.

Postwar exports were seriously inflated by the extortionate prices charged foreign buyers. Latin American and European purchasers, and we taxpayers who financed a large part of the exports, were robbed of many billions of dollars by premium export prices. While the value of exports increased several billions of dollars, the physical volume of exports in 1947 was lower than the peak of wartime exports in 1943. Once postwar shortages were overcome, premium prices could not be maintained, and the value of exports had to decline.

Moreover, postwar exports have been heavily subsidized by the government. Approximately one-third of United States exports since 1946 have been financed in one form or another by the federal government. This proportion has remained fairly constant and is now tending to in-

crease, although the means of financing has shifted from various individual loans, such as the British loan of 1946, to the Marshall Plan and other current means of financing exports. Thus no progress has been made toward restoring trade to a normal basis, while elimination of special government financing would result in a catastrophic decline in exports.

Further, the growth in exports has taken place despite a shrinkage in the volume of trade of the capitalist world. It represents, therefore, a redivision of world trade, at the expense of the Germans and Japanese and, to a lesser extent, of other imperialist rivals. By 1947 the volume of international trade of the capitalist world reached only 90 per cent of prewar, and it increased but little in 1948.

A large part of the improvement in United States export trade represented a consolidation of the dominant United States position in the Western Hemisphere. Canada and Latin America, which took little more than 30 per cent of United States exports before World War II, now take about 40 per cent. Thus the dependence of United States foreign trade on the Western Hemisphere has been increased.

Because of these factors, the postwar foreign trade boom was short-lived. The beginnings of revived European competition and the exhaustion of financial reserves of a number of countries began to cut down United States exports after the spring of 1947. By late 1948, the value of exports per month had declined 23 per cent from the peak.

Even at its highest point, the postwar export boom fell short of the basic needs of big business for foreign markets.

This can be seen in the following way:

It is clear that business firms, with the expansion of United States productive capacity and the *relative* reduction in the domestic market, must sell a larger share of their goods abroad, if they are to keep their plants operating.

But in 1947 the 11.7 per cent of total goods production exported was a much smaller proportion than in 1919, immediately after World War I, and not much larger than the proportion of exports during the 1920's. In 1948 exports accounted for only 8.6 per cent of goods production, a lower proportion than in 1929, and scarcely higher than the proportion during the chronic depression years before World War II.

This was the best the big corporations could accomplish, even with foreign competition greatly reduced, and with five to seven billion dollars of annual government subsidy for their exports.

Already the revival of foreign trade on the part of rival imperialist

powers is cutting into United States exports, and this competition will be intensified because of the rapid growth of exports from Germany and Japan. The massive government financing of exports will not be continued indefinitely. Increasing pressures for its reduction are already apparent. The economic decline in the United States is already reducing *the value of imports, thus cutting the amount of exports that can be financed through normal commercial means without special government subsidy.* There are indications that the spring of 1949 may have witnessed the beginning of a new phase of sharp decline in capitalist foreign trade. British total exports dropped about one-fifth, and imports of the United States from the Marshall Plan countries fell 30 per cent.

Thus the postwar export boom was not adequate to the needs of big business, and its decline is hastening the economic collapse. Moreover, the economic crisis of the capitalist world will see a specially deep crisis in international trade with the export trade of the United States *the main loser.*

Postwar Capital Export

The war and postwar years saw also a certain revival of private capital export. By the end of 1948, total United States investments abroad reached $17.4 billion, as much as the prewar peak in 1930. Total direct capital investments—that is, ownership of factories, mines and plantations by United States corporations—reached $10.4 billion, almost 30 per cent above the prewar peak. The reported income from foreign investments reached $1.26 billion in 1948, an all-time high. This official figure is incomplete.

As with foreign trade, the postwar export of capital does not represent a stable trend, and is inadequate to the needs of American finance capital.*

The increase in capital exports has been at the expense of rival imperialist powers, principally the British. The rise in the total of United States foreign investments is considerably less than the decline in British, French and Dutch foreign investments. As they redivide the pie, too many chunks fall out of it, leaving less to go around.

Moreover, the export of capital has been largely specialized in char-

* Throughout this section reference is limited to long-term private investments. U.S. Government "investments" since the end of World War II have consisted almost exclusively of disguised export subsidies and political bribes, without expectation of normal forms of repayment.

acter. In 1947, and probably also in 1948, fully two-thirds of the new direct investments of United States capital consisted of oil company expansions in Venezuela and the Middle East. This concentration results largely from the limited areas which American monopolies consider relatively safe politically.

To evaluate the volume of capital export, we must consider the following:

The annual profits of the capitalist class in recent years have been almost three times as large as during the 1920's. But the possibility of reinvestment of those profits to supply the domestic market, over any long-run period, is less. *Consequently the pressure for export of capital* is much greater.

In comparison *with this expanded need, the record of capital export* is quite unsatisfactory. The *net export of capital during each of the* years 1947 and 1948, less than a billion dollars per year, was absolutely less than the average for the years 1924-1928. Relatively, in relation to total capital investment, the reduction was quite sharp.

During the 1920's, about one-fifth of all new capital investment consisted of capital exports, but during the years 1947-1948, less than one-fifteenth of all new private capital investments consisted of capital exports. Instead of the higher proportion of capital exports required, the proportion is cut by two-thirds.

Thus, the expansion of United States *finance capital abroad is clearly insufficient to solve the problem of accumulation of capital. Now that domestic accumulation shows signs of slowing down, increased opportunities for capital export are not appearing. On the contrary, capitalist* overproduction is already causing a decline in the rate of capital export by the oil industry, which so far has been the principal foreign investor. And the world-wide political obstacles to private capital export remain formidable.

Washington Promotes Wall Street Expansion

As the difficulties facing American magnates in their campaign to dominate the world have increased, so has the use of the government to overcome these difficulties.

Already during World War II the government was assisting in the redivision of the imperialist world to the advantage of United States finance capital. For example, the Itabira iron mines in Brazil were trans-

ferred from British to United States control as the result of pressure applied by Washington. Attempts to gain control over raw materials previously dominated by the British, Dutch and others were facilitated by government-sponsored cartels and allocation schemes (continued to this day in the case of tin), and by creation of alternative methods of supply, such as synthetic rubber, which is still subsidized by the government in order to depress the price of British-controlled natural rubber.

The various postwar negotiations conducted by the United States government had the general objective of restoring and strengthening imperialist reaction. But, in addition, each negotiation had very specific objectives for advancing the interests of American big business.

Thus, the most prolonged arguments in the negotiations for peace treaties with Romania, Hungary and Bulgaria, and now with Austria, concern the compensation of Anglo-American firms for prewar properties in these countries. In general, the State Department accepted as valid and fought for privately claimed properties valued at many times the admitted prewar holdings of the United States corporations.

Again, the most important concrete result of the Italian-American Financial Agreement of 1947, in connection with which the Communists were expelled from the Italian government, was the surrender of the Italian oil industry to the American and British oil trusts.

Considerable attention was given to conclusion of commercial treaties, as with China and the Philippines, that granted United States corporations equality of treatment with native capital. In short, the Philippines government promised non-interference in the absorption of weak native capital by powerful United States corporations. The State Department is now trying to foist similar treaties on various Latin American countries.

But treaties and agreements were not enough security for the men of Wall Street. It was one thing to spend many billions of the taxpayers' money to buttress world imperialism. It was quite another thing to invest their own funds. Nothing less than complete military domination is now the prerequisite for massive capital export. The world map of important American monopoly interests differs little from the world map of major military bases.

For example, the military air base in Arabia and the Truman Doctrine domination of Turkey and Greece were the prerequisites for the decisive expansion of United States oil interests in Arabia.

Similarly, the ceding of the Newfoundland base and the military sub-

ordination of Canada to the United States is not unconnected with the rapid displacement of British by United States investments in Canada. Nor are the lend-lease naval bases in the Bahamas unconnected with oil concessions granted American corporations on these British colonial islands.

As the need for expansion has grown more intense, the basic drive of United States foreign policy has come more openly to the fore in official policy. In 1946 and 1947 deals to win industrial empires for huge corporations were conducted quietly, and as corollaries to agreements ostensibly dealing with other matters.

But with the Marshall Plan, and its capital export guarantee program, this became part of official policy; and with Truman's "bold new program" it was placed publicly on the first order of business. Washington has borrowed the ancient hypocrisy of British imperialism. Domination of foreign countries by Wall Street firms, which has impoverished the peoples of Latin America for half a century, is now glorified as the means for bringing high living standards to the downtrodden peoples of the world.

The Marshall Plan

The Marshall Plan constitutes the most grandiose attempt at foreign expansion by American imperialism.

Of all the state-monopoly capitalist measures, this makes the greatest pretense of planning. There are various so-called planning documents and schedules of supplies.

However, the actual conditions of trade under the Marshall Plan have nothing to do with "planning." Transactions are negotiated between American sellers and European buyers, with government approval for the financing of deals involving the most powerful European and American capitalist interests. The only "plans" put into effect are those of American monopolies and certain European interests for greater profits.

More fundamentally, the character of Marshall "planning" is indicated by the correspondent Michael Hoffman, who writes of the recent report of the European Economic Commission:

"Indeed in important respects, the survey finds that E.R.P. [European Recovery Plan] is contributing to, or at least is making possible, the balkanization of European economy under the guise of national economic plans." (*The New York Times,* May 15, 1949.)

During the 1920's a large part of the capital exports of American corporations were in Europe, especially in Germany and England, but also in France, Italy and other countries. With the European powers all severely weakened by World War II, Wall Street moved toward a rapid supplanting of native European capital, toward no less a goal than the reduction of European capitalist countries to semi-colonies.

The Marshall Plan systematized this drive, intensified it, and extended it to all of capitalist Europe. Its first task, as its sponsors boast, is to thwart the admitted will of the European peoples to take the path to socialism. But it has failed to stabilize capitalism in Europe, and has therefore failed to create the precondition for massive capital export to Europe.

The Marshall Plan endeavored to increase United States exports by dumping surplus goods in Europe and by putting European foreign trade on the dollar standard. It was hoped thereby to break the system of bilateral trading arrangements between Marshall Plan countries and other countries, such as Latin America. The Marshall Planners calculated that when European countries made purchases, say in Latin America, Marshall Plan dollars would be used to buy in the United States, at the expense of European exports.

However, this scheme also has failed. Exports have declined not only to the Marshall Plan countries, but also to Latin America and other areas, where European goods are beginning to regain markets at the expense of the United States.

The Marshall Plan includes a number of measures to assist in the export of capital to Europe and to increase the rate of exploitation of European workers by American finance capital. One such measure is the direct government guarantee of capital exports written into the Marshall Plan legislation.

Another is the sponsoring of customs unions, so that American-owned mass production factories in Europe can be based on all capitalist Europe as a unified market. Another method is the forcing, through the E.R.P., of currency devaluations, which cheapen goods purchased from European countries by American capitalists and reduce the dollar equivalent of European wages, thereby increasing the rate of profit on American investments in Europe.

Further, through the Marshall Plan, considerable pressure is exerted on European countries to repress expansion of branches of European-owned industry which would compete with American-owned industry in

Europe. A striking example recently came to light when the European Cooperation Administration (E.C.A.), the organization that operates the Marshall Plan, protested against British proposals to expand British-owned refinery capacity, on the grounds that it would compete with the giant new Standard Oil refinery nearing completion in Britain.

Finally, the E.R.P. has been the principal mechanism for bringing the European countries, principally France, into line on the rebuilding of German heavy industry. There is ample evidence that Germany is viewed as the main base of operations of United States finance capital in Europe. According to certain reports, the fascist industrialists have invited a $700,000,000 participation by Wall Street in the rebuilding of the Ruhr. The Chase National Bank has opened two branches in Germany. Plants have been returned to General Motors, Ford and other United States companies operating in Germany. Considerable American investment capital has flowed into Switzerland, traditional scene of dummy firms for operations in Germany.

Lately, of the Western European countries, only Germany has shown considerable expansion in production and foreign trade, and the American capitalists hope, with the aid of the separate West German state, to be the main beneficiaries of this expansion.

On examining the results to date, we see that these attempts to clear the way for capital exports to Europe have not been successful on a broad scale.

This lack of success, however, should not lead one to overlook the vast profits that American capitalists have made out of the Marshall Plan. Profits from United States investments in E.R.P. countries increased from $124 million in 1946 to about $250 million in 1948. Nor will the people of Europe forget the billions made out of surplus goods dumped in Western Europe at exorbitant prices.

Consider, for example, the favorite country of the Marshall Plan, Bizonia, which receives more United States exports than any other country.

Bizonia gets goods both through the E.C.A. and through the Army supply program. Last year, under the Army supply program alone, 415,879,943 pounds of dried and evaporated prunes, raisins, figs, peaches, apples and currants were shipped to that land—not to mention 10,801,382 pounds of honey to sweeten the stew, and also 96,510,737 pounds of dry ripe beans and peas, and 161,474,346 pounds of shelled peanuts.

But despite the profits from dumping such commodities and others,

American monopolies have not made the intended progress toward their goal of becoming the majority stockholders of Marshallized Europe. This can be seen from the following:

New United States private investments in the Marshall Plan countries excluding their colonies came to $145 million in 1947, then dropped to $66 million in the first nine months of 1948. In the entire period since the end of World War II, investments lost to American imperialism in the peoples' democracies have exceeded in value the new investments in the Marshall Plan countries.

Only a few million dollars of investments were made under the guarantee provision, and the goal of investment guarantees in the Marshall Plan countries has been reduced from $300 million per year to $150 million per year, despite liberalized terms.

The inability of the Marshall Plan to stabilize capitalism in Western Europe is attested by the following:

The influence of the Communist Parties in the key countries of France and Italy has not diminished. Under the Marshall Plan, living standards of the workers have been further reduced and are still below prewar in every country. According to the official "plans" of the E.R.P. governments, the peoples' living standards will remain well below the depression level of the 1930's at the end of the Marshall Plan period. With this perspective, it is inconceivable that the workers of Western Europe will become reconciled to domination by native and American capitalists. Thus the political basis for capitalist stabilization has not been achieved, and it is becoming even more remote with the development of the economic crisis.

Industrial production in the Western European countries has not made an adequate recovery. Much confusion has been generated on this score by official comparisons with production in the depression year 1938.

But production is still below the prewar peaks, and on a per capita basis it is considerably lower.

Since the middle of 1948, unemployment has increased in the leading countries of the Marshall Plan, and production turned downward in Belgium and Italy. The downturn in business activity in the United States will be reflected with full force in Western Europe.

Finally, the optimistic estimates of the Committee of the E.R.P. countries envisaged a $3 billion annual dollar deficit in international transac-

tions at the end of the Marshall Plan. With an economic crisis, and the costs of the North Atlantic Pact, that estimate would have to be raised.

Thus, the economic basis for capitalist stabilization in Western Europe has not been achieved, nor is it in prospect.

We can best measure the cost of the Marshall Plan to the people of Europe by comparing their situation with that of those countries which rejected the Marshall Plan and took the socialist course.

For example, British coal production in 1948 remained 15 per cent below prewar, while Soviet coal production, including the war-ravaged Donetz, surpassed the prewar peak by 20 per cent, according to estimates of the United States Commerce Department.

Again, according to official estimates of the Marshall Plan agency, the E.C.A., real wages in France are as little as half the prewar rate. In Poland by late 1948, real wages exceeded prewar by 10 per cent and have since increased another 10 per cent.

Finally, the E.R.P. has recently intervened to curtail the already inadequate French program for expansion of steel capacity. By contrast, steel capacity in the U.S.S.R. has been expanding at an annual rate of five million tons, an all-time record rate of expansion for any country.

The results of the Marshall Plan have already sharpened the conflicts among the E.R.P. countries, particularly between Britain and certain of the continental states. The stronger capitalist powers, especially the British, are increasingly attempting to escape from dollar dependence and to turn Western Europe from a dollar bloc to a sterling bloc.

As their difficulties increase, the stronger Western European countries are seeking more and more to trade with Eastern Europe despite obstacles placed in the way by Washington.

Thus contracts placed by the U.S.S.R. with Swedish capitalists under the long-term credit arrangement were three times as large in 1948 as in 1947. The British recently inaugurated a large-scale trade and credit agreement with Poland, and expanded their trade agreement with the U.S.S.R.

These developments certainly bring no cheer to American machinery manufacturers, themselves casting about for orders, but now prevented from trading with the anti-imperialist countries.

The magazine *Business Week* (April 16, 1949), describing a survey of machinery centers with respect to E.R.P. business, said:

"This year, however, there will be less sweetness and light around

the plan. For the fact is that more and more U.S. businessmen will be out for Marshall Plan orders—and there won't be nearly enough to go around."

As the Marshall Plan gravy spreads more thinly at home, certain capitalist groups are losing their enthusiasm for it. This is reflected imperfectly in the pressure in Congress which led to reduced appropriations for the second year of E.R.P.

Full development of the economic crisis would surely increase all the strains in this shaky structure. If carried out within the present framework, it might well fall to pieces long before its scheduled four years are concluded. This calls for stronger measures on the part of the most aggressive Wall Street circles.

Thus the North Atlantic Pact is not only a military preparation against the U.S.S.R., but an attempt to bolster the flagging Wall Street position in Western Europe.

By means of the North Atlantic Pact, American big business may achieve significant penetration in such countries as Western Germany and Spain, where absolute military domination either exists or is in the making.

But American imperialism cannot solve its problems by the military domination of all capitalist Europe. The ultimate fate of such adventures is already visible in the developments in Greece.

The "Bold New Program"

The principal gains of American imperialism at the expense of the British and other centers of big capital have been in Latin America, Canada and the Middle East.

United States interests have also penetrated Africa and Asia. For example, the United States has a virtual monopoly of Congo uranium. The Gulf Oil Company (Mellon-controlled) and the Royal Dutch have been given major concessions by the French in Tunisia. The Kennecott Copper Corporation has been admitted into partnership with British interests for exploration of mineral deposits in South Africa, in addition to other significant American capital expansions in this area.

But the British are attempting to maintain their predominant position in Africa and to intensify capital export and the exploitation of the African people. Similarly, the British, Dutch and French in the Far East still maneuver to maintain dominance in their colonial areas.

The Marshall Plan has facilitated the penetration of European colonies, principally in Africa, by American capital, but this instrument has proven inadequate. So Truman has come forward with his "bold new program" to clear the way for investment of United States capital in the colonial areas.

The proposed legislation now being discussed in Congress centers around comprehensive guarantees by the government that profit from capital exports and goods exports will be realized and that the properties will not be lost through expropriation.

This formal statement of the basic method of state monopoly capitalism involves the *reduction ad absurdum* of the "free enterprise system" and the so-called "American way of life." The "risk-takers" admit they will take no risks but seek nothing less than the guarantee that when foreign peoples will not provide them with super-profits, the American people will be forced to pony up.

The ultimate objectives of the "bold new program" are indicated by a report of the National Association of Manufacturers envisaging private capital exports of as much as $2.4 billion per year, or three times the present rate of capital exports.

It is clear that if big business is to ease its economic problems through capital export, the N.A.M. goal is not excessive. But it cannot be achieved.

The "bold new program" enmeshes American finance capital in a web of unsolvable economic, political and military contradictions.

In the economic field the basic contradiction is indicated by the recent speech of that lackey of American imperialism, the French politician Paul Reynaud. He said:

"You have changed your position, from a debtor nation you have become a creditor nation. It is a very pleasant change of status, but which entails a new state of mind. . . . It is necessary that you should welcome a deficit in your trade balance, as was the case with Great Britain and France before the war."

This would-be junior partner in the enterprise urges his masters to learn from the decadent imperialisms of Europe the fine art of taking their profits by sucking the substance out of the rest of the world, while restraining the exports of their own goods. Unfortunately, for the imperialists, this parasitic dream cannot be realized. For the pressure of United States goods production for markets is so great that the capitalists must intensify their efforts to export. They must try to take their

profits from the rest of the world and have an export surplus at the same time.

A chronic crisis therefore arises in the international finances of the capitalist world, a crisis which is bad enough already but which will get worse with the economic crisis.

More immediate and compelling than the economic contradictions are the political and military difficulties. The goals set by the N.A.M. can only be realized by the rapid and wholesale displacement of competing imperialist interests wherever they remain throughout the world.

This means fierce conflicts with rival imperialist powers, wars with the powerful advancing national liberation movement in East Asia and with the growing national liberation movement in Latin America and Africa.

Moreover, the objectives of the "bold new program" require not only a redivision of the imperialist world but also a reversal of the trend toward the reduction in the size of the imperialist world.

When the liberation of China is completed, fully one-third of the world's population will be outside the imperialist orbit. In addition, this event provides a tremendous stimulus to the already active struggles for national liberation in Indo-China, Malaya, Burma and Indonesia.

Thus, the "bold new program" means wars of colonial suppression against the anti-imperialist world and is intimately connected with the military-strategic plans for war against the U.S.S.R.

American imperialism is powerful. It is not unlikely that its drive for colonial expansion will achieve temporary successes in this or that country. But the obstacles are so decisive that these successes cannot approach the scale projected by the spokesmen of finance capital. Moreover, the sponsors of the "bold new program" admit that its practical unfolding will be slow. Hence it is clear that this new scheme will not check or seriously alter the course of the economic crisis.

Domestic Effects of the "Cold War" Policies

We have already seen how the attempts to force export of capital and goods through the Marshall Plan and other means have failed to provide the outlets required by American big business and thereby are contributing to the economic crisis.

It is important to examine certain other aspects, especially to expose

the demagogy by which Right-wing labor leaders have attempted to sell the Marshall Plan and allied programs to the American working class.

The "cold war" foreign economic policies are a considerable aid to the concentration of capital, to the intensified grip of monopolies on the life of the country.

The normal concentration of export business is accentuated by the operation of the Marshall Plan and other devices of state monopoly capitalism. Protests of medium and small business groups against this are completely futile.

Capital export, as promoted by Washington today, is limited, in the main, to a handful of the largest corporations. These thereby obtain an advantage in winning foreign markets and in obtaining cheap raw materials.

Operation of the International Bank gives the giant insurance companies a new source of profits and concentration of money capital, while the financing arrangements under the Marshall Plan completely exclude all but the very largest banks.

Direct controls abroad are obtained by the big trusts where United States military forces hold sway—as in the case of the control of the Ruhr steel industry by United States Steel Corporation officials.

The cartelization of raw materials, through private arrangements and through state monopoly capitalist arrangements, has been raised to a new pitch, but with American interests dominating all the cartels.

The concentration of imperialist super-profits resulting from these measures in turn hastens the concentration of capital in the United States, and the pressure (already pronounced) against smaller capitalist elements increases.

The Marshall Plan has also played a major part in bringing about the present high cost of foodstuffs to the American people without improving the diet of the peoples of Europe.

As foreign trade is more and more dependent on United States government loans and grants, the composition of foreign trade is increasingly determined by the relative ability of various monopoly groups to influence the financing of their goods for export.

Until recently, the pressure for export of farm products was most intense, as indicated by the fact that while only 10 per cent of exports before the war consisted of foodstuffs, that percentage has increased to 20 per cent, and remained there throughout 1948, despite the reduction of European food shortages.

It must be emphasized that these huge shipments of foodstuffs did not improve the diets of the masses in Europe. By far the largest shipments went and still go to Germany, Japan, Greece and Austria, places of United States military occupation where the food fuels civil war and black markets.

In the other European countries, the working people have lost more food through capitalist misrule in their own countries than they have gained through Marshall Plan shipments. This includes the failure to introduce adequate price control and rationing schemes, or their abandonment on pressure from Washington; it includes the failure to expand farm production through land reform and other measures. It includes the failure adequately to develop trade with food producing countries of Eastern Europe, again on orders from Washington.

Official reports of the Marshall Plan agency admit that the diets of working people in Western Europe are lower in quantity, and much poorer in quality, than before World War II, and that this condition will continue throughout the life of the Marshall Plan.

It is important that American workers, who have been deluged with propaganda playing upon their humanitarian sentiments, be made aware of these facts. Equally important, the American people should learn the way in which the Marshall Plan is reducing their own diets.

During 1947 and 1948 the scale of government purchases was the principal factor in commodity price fluctuations. Purchasing for export so increased prices that domestic consumption was reduced, resulting in the sharp decline in farm prices that is now under way. At the same time monopoly-controlled food prices to the workers are maintained at near peak levels.

Thus the living standards of the American workers have been reduced by the Marshall Plan, and this process still continues, as unemployed workers and those on part-time are forced to pay 16 cents for a loaf of bread.

Furthermore, the Marshall Plan has cost many jobs in American factories. Of course the whole "cold war" and armaments program for a time maintained employment in the heavy industries. But the Marshall Plan itself reduced employment.

This was an inevitable result of the fact that the Marshall Plan was designed not to build up the industry of Europe, but to suppress it and subordinate it to Wall Street.

With such an aim, exports of job-creating highly-fabricated industrial goods were held to a minimum. The catastrophic effect of the Marshall Plan on employment in the heavy industries may be seen, in part, from the fact that machinery and vehicle exports to the E.R.P. countries were reduced by 40 per cent since the Marshall Plan was announced.

Even more harmful to employment has been the intensified boycott of trade with the anti-imperialist countries, which is part and parcel of the Marshall Plan and the Atlantic Pact.

This embargo, which now includes China, cuts off countries which in 1946 took 13 per cent of all United States exports. But the potential purchases of these countries are much larger. Because of their aim of building socialism and economic development, the purchases of the U.S.S.R., the peoples' democracies, and liberated China in the U.S.A. would consist mainly of capital goods, purchases which create jobs in decisive industries.

Now that orders are declining and workers are being laid off in machinery and freight car plants, it is well to remember the days of 1931, when Soviet orders kept the machine tool industry out of bankruptcy.

Up to the present, the key sectors of American big business have been unwilling to permit trade which would strengthen the U.S.S.R. and the peoples' democracies, even if it would at the same time bring profits to some capitalists. How long this boycott can continue, in the face of the developing economic crisis, remains to be seen.

But in any event, the American working class will gain in every way from the revival of this trade, which has very considerable potentialities, especially in liberated China.

The demand for the restoration of normal trade relations with these countries, and for the offer of credits without imperialist strings, is a key which can help unlock the propaganda wall separating domestic policies and foreign policies in the minds of millions of American workers. It is a major link between the struggle for jobs and the struggle for peace.

The possibilities of any considerable sector of the working class sharing in the super-profits of foreign expansion is negated by one basic fact: The "cold war" costs the American workers more in taxes than it gains the capitalists in profits from the exploitation of foreign workers.

If these facts about the domestic impact of the "cold war" are more fully learned, perhaps the American working class will be added as a major force to the tremendous obstacles faced by finance capital on a world scale.

Summary

We are now in a position to summarize the relation between "cold war" foreign economic policies and the developing economic crisis.

United States big business made considerable temporary gains in foreign trade and some gains in foreign investment position during and since World War II. These gains were at the expense of imperialist rivals. They were limited by the shrinkage in size of the imperialist world, and by the world-wide anti-imperialist and working-class movement.

The expansion in exports and foreign investments were part of the "cold war" policies and were made at the expense of the American people, who paid the gigantic bill for foreign intervention.

The gains to American imperialism were by no means adequate to its needs for expansion, did not correspond to the vast mass of surplus goods seeking sale, nor to the surplus capital accumulations.

Hence the "cold war" foreign economic policies did not alleviate the internal contradictions of American capitalism enough to postpone appreciably the outbreak of the economic crisis.

Further, the aggressive actions of United States imperialism have been met with increasing resistance in all parts of the world and have seriously undermined the structure of capitalist international trade. These events have brought on a sharpening crisis, political and economic, of the entire capitalist world, which has already caused a serious reduction in United States foreign trade and will lead to more severe losses. Thus, the Marshall Plan and other expansionist measures are today ecceleratingthe development of the economic crisis.

[FOUR]

Conditions of the People

WHEN THE CRISIS of overproduction began in the autumn of 1948 the conditions of the working class were already very much worse than at the end of the war. The workers were already paying heavily for the "cold war." Rising prices undermined the purchasing power of the workers, cut their real wages and exhausted their small reserve of savings. Coupled with this robbery was increased exploitation through greater speed-up.

With the beginning of the present crisis, the conditions of the workers grew worse at an accelerated rate. Both nominal and real wages have declined, unemployment and part-time work have risen sharply and speed-up has been intensified. The monopolies are driving to place the burdens of the developing crisis on the working class.

Unemployment and Part-time

Let us look first at the new rise in unemployment, resulting from the present economic decline. Even though the real needs of the people have been far from "satisfied," already plants are closing down or working part-time, while workers again walk the streets wondering how long it will last, or, if they are still at work, wondering who will be the next to feel the lash of the layoff.

The number estimated as "unemployed" by the Census Bureau is well over three million—3.2 million in March and a little lower, it was reported, in April. But the actual number out of work, as estimated by the careful and conservative analysis of the United Electrical Workers (C.I.O.), is somewhere around five million.

Of course the C.I.O national office, for political reasons of its own, does not go along with the U.E. in criticizing the estimates of the Census Bureau. But that does not make these government underestimates any nearer the truth. On the other hand, it does show how far the C.I.O. national office has gone in its devotion to Marshall Plan and other "cold war" policies. There was a time, you may remember, even in the days of Roosevelt, when the C.I.O. was properly suspicious and critical of the price, production and other statistics handed out by the Federal gov-

ernment. Not so today. Now the top C.I.O. officials are vainly trying to prove what our reports to this Conference have shown to be impossible—that the warding off of the crisis can be achieved through the Marshall Plan and other expansionist adventures and expenditures.

We have no time here to enter into the U.E. analysis of the Census unemployment estimates except to note the fact that the Census, as U.E. points out, does not count as unemployed:

1. Those laid off for less than one month; those on so-called "temporary" layoffs or waiting to start new jobs.

2. Involuntary part-time workers; for even one-hour-a-week workers are counted as employed.

3. Workers on the fringe who may not be *actively seeking work* but who are able and willing to work.

Even the employers' magazine *Business Week* recently noted the fact that the Census estimates do *not* reflect the true situation, admitting that so-called "marginal workers aren't seeking jobs" because they are harder to get and therefore "fewer people are looking for them." Hence these so-called "marginal workers" would not be counted as unemployed by the Census Bureau.

In any event *Business Week* said that the apparent slight drop in unemployment as between March and April (which reflected the rise in farm, construction and other outdoor work) "conceals the real danger signal. Total non-farm employment is nearly 900,000 lower than it was nine per cent.

Note also that even the Census Bureau itself in its report for April admitted that there was an increase in the *duration* of unemployment, the average duration for those counted as jobless in that month being about ten and one-half weeks.

The number of persons who were employed part-time is also significant. During April these workers (*not* included among the unemployed) numbered 7,613,000 working only from 15 to 34 hours, along with 2,131,000 who worked from 1 to 14 hours, and 1,659,000 who had a job but were not at work during the sample week. That is nearly 11.5 million who were technically employed but who were working either not at all or only part-time.

The big increase in those working part-time was seen in the fact that 1,375,000 more persons were working between 15 and 34 hours in April this year than in April last year.

We should note especially the fact that the bulk of the layoffs have

occurred in manufacturing industries, the core of the American economy. By April, employment in manufacturing alone had declined to 15.1 million or 1.5 million below the peak reached last September, a drop of 9 per cent.

What happens in manufacturing is of course reflected also in the service trades and business generally. The downtrend in jobs has already manifested itself in construction, in the trade and service industries, in transportation and mining. With the economy headed downward, we may see five to six million unemployed (even on the government's inadequate estimates) before the end of the current year. The actual number then would be nearly eight million. Mass unemployment is thus becoming the heaviest burden foisted on the working class as the crisis grows deeper.

In New York City layoffs have reached a point where the Welfare Commissioner could report already at the end of April that *a million New Yorkers* were members of families the principal breadwinner of which is unemployed.

In many cases, remember, these breadwinners may be relatively young workers. We have not as yet obtained special figures on this subject, but we note the *U. S. News* recently taking it as a matter of course that "Young workers will be the first to be let out when production schedules are cut back." We note also the statement of the Department of Labor that the percentage of minors under 18 employed in violation of the child labor provisions has actually increased since the war.

It may be noted also that roughly a million new young workers are now entering the labor force every year—looking for jobs that are nonexistent unless they displace some older worker.

This suggests at the same time that older workers are also going to be seriously hit during the period ahead when the reserve army of the unemployed is growing. We have already seen a number of reports that older workers are being laid off even when the factory is not closed down completely, in which case, of course, both the old and the young are turned out. In a recent report on the spread of unemployment in Camden, N. J., Richard Sasuly of Federated Press referred to the fact that the Radio Corporation of America plant in that city had been laying off workers with 40 years of seniority. Similar reports come from other industrial centers.

As for the women workers, both young and old, we must emphasize the fact that unemployment is likely to hit them in some cases even harder than the men workers. For there is a tendency in some plants

to fire women workers first even though their family obligations may be as heavy as any of the men.

One effect of increasing unemployment among men is, of course, in many cases to compel more women to seek jobs just as soon as the husband is laid off. This simply means that two workers instead of one will be looking for a job, but whether the Census Bureau will record this fact, even though tardily, is another question.

In any event we have to remember that women now make up about 30 per cent of the working force and are included in all the conditions, statistics and averages covered in our report.

Unemployment Among Negro Workers

The heaviest weight of unemployment and part-time work has been falling on the Negro workers. They felt the first blows as far back as 1943 when war production began to decline, and they were the first to be fired, especially in those industries into which they had been drawn during the war. Negro workers are now being laid off in greater proportionate numbers than white workers and are in danger of losing completely the new positions won in industry during the brief period of the war economy boom.

Unemployment among the Negro workers is a sensitive barometer of the economic crisis in general and an indication of the acute unemployment facing the working class as a whole. The burdens of the economic crisis are already being placed with special severity upon the Negro people. Even during periods of so-called boom, it has always been a serious and special problem to gain and maintain jobs for Negroes in industry. Today, under conditions of economic crisis, it becomes even more imperative for the working-class movement as a whole to prevent the systematic exclusion of Negro workers from industry and to maintain their hard-won positions.

Nothing less is at stake than the unity of the Negro and white workers, which is essential to beating back the efforts of monopoly reaction to split the working class and force it to bear the entire burden of the crisis.

Today it is reported that in New York about 20 per cent of all unemployed are Negro workers, and in Omaha about 25 per cent, while reports from Toledo and Chicago indicate that nearly half of the registered unemployed are Negroes.

From Cleveland come reports that job openings for Negroes, with the exception of the dirtiest work in foundries and steel plants, have completely disappeared in basic industry. And in the brass mills of Connecticut, where lay-offs started in January and two, three and four days of work a week are now the rule, the Negroes have been, as before the war, the first to be fired, while those remaining have been speeded up, down-graded and forced into the hardest jobs.

In some places this discrimination, as in the A. F. of L. longshoremen's union, is the open policy not only of the employers but of the top union bureaucracy. The discriminating policies of some of the railroad unions are notorious. But the problem is to be felt throughout the trade-union movement in the resistance to putting forward and fighting for special seniority provisions for the Negro worker, which are necessary to protect his job status, for the systematic upgrading and promotion of Negro workers, for adequate provisions for the re-hiring of Negro workers and for his employment in "lily-white" enterprises.

Unless the white workers take the initiative in overcoming the white chauvinist attitudes that have seeped into the labor movement and that stand in the way of protecting the job status of the Negro worker, the working class as a whole, Negro and white, will suffer more severely from the impact of the economic crisis.

Wage and Profit Trends

The development of the crisis and the rise in unemployment comes in the wake of a period when workers' wages had been declining both in relation to what they could buy and in relation to the production that has been turned out to swell the profits of the capitalists to all-time levels.

Other reporters have shown the rise in profits of the corporations. The total increased by 423 per cent between 1939 and 1948. In the same period even the government figures, including a price index that understates the rise in consumer prices, show only a 29 per cent rise in the real wages of the most favorably situated workers in one sector of the economy—manufacturing. If allowance is made for the real rise in prices in this period the real wages of these workers would show a rise of not more than half that percentage.

In any discussion of real wages it should always be remembered that this is by no means a complete measure of the conditions of the work-

ers, even assuming the accuracy of the government figures. For real wages cover only one aspect of these conditions, the relation of money wages to prices of necessities. Real wages leave out a vast area of life and welfare, which are difficult to measure with available statistics. Hence real wages do not reflect accurately the deterioration of the position of the workers.

It is clear, therefore, that the rise in real wages of employed factory workers during World War II, as indicated by official figures, should not be regarded as showing an absolute improvement in workers' conditions. The longer hours worked, the inconveniences and pressures involved in most of the war jobs, the worries and troubles that went with the breaking up of families, the wretched housing conditions and all the rest, have to be considered as an offset against any rise shown in the statistics of weekly earnings in terms of purchasing power.

The war itself, a direct product of monopoly capitalism, with its millions of casualties and millions of human beings engaged in waste and destruction, must be remembered as the major fact of this longer-term period. No temporary slight rise in the statistical real wages of those who manned the factories on the home front of an economy untouched by the direct ravages of war can be regarded as of major importance when placed beside the central fact of 12 million persons withdrawn from civilian life to face the horrors of war. When all these factors are included it would be a tragic joke to speak of the conditions of the people as a whole, or the working class as a whole, as having been "improved" during World War II.

What do the figures on real wages show for the period since World War II? An undeniable and admitted decline.

If we compare workers' real wages as of January 1945 with those of January 1949 we find that the weekly earnings of the production workers in manufacturing industries as a whole fell by approximately 15 per cent.

And if we take a much wider group—all wages and salaries combined in all industries, not just manufacturing—we find that the decline in total real earnings of all such wage and salary earners between 1945 and 1948 was about 16 per cent.

These tendencies have continued in the early part of 1949 as wages and salaries have continued to fall faster than the decline in consumer prices, while profits, after taxes, have shown still further increases following a rise of 140 per cent between 1945 and 1948.

To look at profits in relation to wages in recent years from another angle, the trends in profits per employee shows the greatly increased exploitation of the workers. Profits per employee in manufacturing rose from around $470 in 1939 to around $1,480 in 1948; in other words *they more than tripled in this period.*

The rise was even more striking in the petroleum and coal products industry, where profits per employee jumped from $2,162 in 1939 to $9,222 in 1947, or by around 325 per cent. Similarly, profits per employee in the iron and steel industry rose from $329 in 1939 to $1,645 in 1947, or by 400 per cent.

In the textile industry, however, which had seen comparatively "lean" years before the war, the rise was even more sensational—from $159 per employee in 1939 to around $1,545 in the year 1947, or a rise of around 870 per cent.

Relative Position Worse

If we take into consideration also the output of the workers, or the production turned out by them for the owners (from which the huge profits are derived), here too conditions can be shown to have deteriorated.

The over-all position of the employed worker in 1948 as compared with prewar can perhaps be shown best by our indexes of what we call the *relative position,* that is the output of workers in relation to their real wages. This very rough index for all manufacturing industries in the United States, it is now estimated, is about 5 per cent below the prewar level. In other words, the position of the worker in relation to his output for the exploiting class, as represented by the employers in the manufacturing industries, has definitely declined from the prewar level.

And if we look at the same relationship over the longer period,* we see that the "relative position" of the worker in manufacturing was in 1948 about 35 per cent below the level of nearly 50 years ago, that is in 1899. The trend, therefore, has been down both over the long run and over the short run.

With production per worker rising and real wages slipping, we may expect to see further changes in a downward direction in this over-all index, which reflects the worsening relative position of the worker.

* See Tables in Labor Research Association, *Trends in American Capitalism,* International Publishers, New York, 1948.

In estimating the development of the crisis a great deal is often made of the "huge" savings that were piled up in wartime years when money incomes were high, consumer goods scarce and war bond campaigns persuasive. But even *Business Week* (March 26) debunks the economic-cushion possibilities in these "savings" figures. It says, "Savings are fine, but don't stake too much on them for several reasons," the first being, "The people doing the saving probably aren't the ones who have lost purchasing power through the layoffs."

The annual surveys made for the Federal Reserve Board have given us a fairly clear picture of how low the savings are among working class groups. In its latest report, covering 1947 and the first part of 1948, the survey shows that more and more people are spending *in excess of their incomes.* It estimated that about 13.5 million, or 28 per cent of all the "spending units" of the country, were in this "dissaving" category, and that they spent about $11 billion in excess of their incomes in 1947. In fact, all those spending units with an income of less than $2,000 a year were, as a group, "dissavers."

Concretely the survey showed also that about 27 per cent of all spending units had no liquid assets at all, while another 15 per cent had liquid assets of less than $200, and still another 13 per cent had liquid assets of between $200 and $500. Cumulatively, about 55 per cent of all spending units thus had liquid assets of less than $500.

People's Savings Wiped Out

The wiping out of the meager savings of the lower income groups was one major result of soaring prices after government price controls were removed in 1946 by the Truman Administration, the National Association of Manufacturers leading in the pressure campaign to rob the people.

This decline in savings and liquidation of the purchasing power of the people happened in the years of economic upturn and relatively high employment before the present crisis set in. It reflects first of all the impoverishment of even the better-paid sectors of the working class, but it also indicates the declining economic status of the lower and medium strata of the middle class.

The impoverishment of the masses will become more and more apparent as the crisis develops further. In the meantime we should

note the fact that despite all the talk about lower prices and bargains in the stores, the consumers' price index of the Bureau of Labor Statistics is as yet only three per cent below the level of last September. (And incidentally, it is still 72 per cent above the prewar—August 1939—level.) With rent increases threatening some seven million families of the nation there is little hope of any appreciable drop in this index in the near future, at the very time when unemployment will be spreading and weekly wages shrinking.

Monopoly prices, holding at such high levels on the retail front, are bound to multiply the living problems of those laid off, and unemployment will thus become a still greater hardship for all those families affected by the layoffs.

Productivity and Speed-Up

It is impossible to measure exactly what the increase in productivity has been in recent years, or how much can be attributed directly to the new modern machinery and technological improvements and how much to the increasing intensity of work. Dr. Julius Hirsch, conservative economist, recently estimated that productivity for the economy as a whole, as distinct from manufacturing "has been advancing at a rate of three per cent [per year] since 1946." In fact, he thinks it may have been a little higher than that.

There is now no over-all index of productivity in manufacturing. However, limited surveys have been made by trade magazines that indicate the general trend for groups of representative companies.

One of these recent surveys summarized in *Factory Management and Maintenance* last September revealed that "productivity is up for the second year running."

Replies in this survey from 610 companies, with about 1,400,000 workers (more than 10 per cent of the total employment in manufacturing industries) showed that productivity was up 4.4 per cent in the year ending August 2, 1948. The range of increase in the eight industry groups covered in the survey, including steel, machinery, automobile and other basic manufacturing industries, was from 2.3 to 5.1 per cent.

The studies of particular industries made by the Bureau of Labor Statistics do not cover the basic industries. But those they have made, mostly in soft goods industries, show rises of varying amounts, with the

highest reported for the rayon industry. Here the gain in output per man-hour between 1939 and 1947 was actually 97 per cent and the rise from 1946 to 1947 alone was nearly 12 per cent.

Separate studies have been made of the productivity of the railroads, showing that revenue traffic per man-hour rose about 40 per cent between 1939 and 1948. The rise in 1947 alone was 4.6 per cent. In the soft coal industry output per man-hour, we estimate, rose at least 40 per cent between 1938 and 1948. And in blast furnaces, steel works and rolling mills, the financial weekly, *Barron's* (Nov. 3, 1947), estimates a rise in output per man-hour of 42 per cent between 1939 and 1947.

The electrical machinery industry admits that productivity has risen about 19 per cent since the war, but in actuality it is probably nearer 25 per cent.

This increase in productivity, especially in manufacturing lines, in itself contributed to the rising unemployment and the developing crisis of over-production. This point was admitted even by Moody's *Stock Survey* (Feb. 21, 1949), when, after reporting that output per man-hour had been rising, especially since the spring of 1948, it said: "One practical effect of this may become increasing difficulty in absorbing the one million odd new workers added to the labor force each year. . . . It is precisely this kind of effect which could, right at a time like this, add its force to the others which are contributing to the chances of a business recession."

This is an interesting admission to note at the very time when top leaders of the A.F. of L. and C.I.O. are calling for more "efficiency" and higher productivity, and touring Britain and other countries—and also receiving here government-sponsored delegates of West European workers—for the purpose of painting the glories of rationalization under American capitalism.

A central issue of struggle between employers and workers is now the speed-up. More and more frequent reports from workers in plants and from progressive unionists indicate an intensification of work through all manner of speed-up systems now being introduced to obtain greater production—and hence more profits for the employers. To the employers, speed-up is the same as a wage-cut. To the workers it is often death, as indicated by the two recent cases at Ford and Chrysler reported recently in the *Daily Worker*. You may also have seen the report of the recent convention of the National Industrial Hygiene Conference which met in Detroit and declared, "The greatest killer in indus-

try is heart disease *from the increasing tempo of the assembly lines.*" (Our emphasis.)

The increase in work loads has been effected through the speeding up of conveyors and assembly lines and by the more "old-fashioned" methods of threats and pressures which have been intensified as the danger of unemployment and layoffs has increased.

The introduction of incentive systems is one of the most common methods of achieving more speed-up. Or, if these plans are already in force, the standards are stepped up and stiffened, and time-studies are used to push the worker into turning out more pieces per unit of working time.

The shift from day work to incentive systems has often resulted in workers turning out 100 per cent more work in an effort to earn so-called "premium pay." Yet the premiums achieved have usually averaged not more than 20 to 30 per cent, or even less, of base hourly rates. Thus the employers are able to get double production on these jobs without paying more than one-fifth additional wages.

The increase in speed-up has not only been noticeable as the unemployment rolls have risen; it also, as we have noted, contributes to unemployment. It is estimated by industrial engineers that an increase in speed-up of only 5 per cent, if applied on a national basis, would add about three million workers to the army of the unemployed.

Speed-up has become a central issue in the present struggles of the workers. The capitalist press has, of course, been compelled recently to mention speed-up in connection with the strike at the Ford Motor Co. But up to this event, the only items and discussion on the serious speed-up situation in various industries had appeared in the papers of the progressive unions and in the shop papers and other organs of the Communist Party, notably in the excellent workers' correspondence pages of the *Daily Worker.*

Shortly before the Ford strike began we went carefully through the official *C.I.O. News, American Federationist* and the news clip sheets issued by the national offices of the C.I.O. and the A.F. of L., but were unable to find a single mention of the speed-up problem. It looked to us like a premeditated ignoring of the situation, especially in view of the fact that the top officials of the A.F. of L. and C.I.O. are so eager to impress the State Department and foreign visiting delegations of labor leaders with the superior methods of production on American assembly lines.

Health of the People

While the driving of labor to a faster working pace is tending to increase industrial accidents and to undermine the health of workers, the medical care available remains entirely inadequate for the worsening health conditions.

In his report on the nation's health last September, Administrator Oscar R. Ewing, of the Federal Security Agency, pointed out, "A scant 20 per cent of our people are able to afford all the medical care they need. About half our families—those with income of $3,000 or less—find it hard, if not impossible, to pay for even routine medical care."

Furthermore, about 40 million Americans live today in communities without full-time health services, and 40 per cent of the counties in the country, with some 15 million people, have no hospitals at all.

The health of the Negro people suffers particularly as a result of this lack of medical care. Negro children are especially deprived. Only one out of four Negro babies in the Southwest, for example, is born in a hospital, whereas in a few favored areas nearly every baby is born in a hospital.

In infant mortality the national rate for whites is 31.8 deaths per 1,000 live births; for Negroes it is 49.5. For white women the national maternity mortality rate in 1947 was 1.1 per 1,000 live births, but for non-white women the rate was 3.3, the United States Public Health Service reports.

The life expectancy of Negroes at birth is 17 per cent less than that for whites, while the death rate is almost 50 per cent higher for Negroes than for whites.

Another indication of the worsening conditions of the masses is found in the great increase in mental diseases. The effect of the wars (both hot and cold) as well as the speed-up, pressures, conflicts and increasing insecurities arising out of our modern capitalist "civilization" and its atom bombs, has been the rising incidence of neuro-psychiatric disorders which are, of course, difficult to measure. What we have are merely some overall figures (limited as they are) concerning the number, for example, who were rejected from the armed forces for such reasons. Disorders of this type accounted for over 30 per cent of those rejected by the services during the war through June 1944.

All the facts we have from state and local sources indicate a rise in such diseases since the end of the war. The figures presented by Grace

Marcus, Pittsburgh social worker, at the Cultural and Scientific Conference for World Peace in March were to the same effect. She gave 1947 estimates that about eight million people in the United States—one out of 17—suffer from some form of mental illness. Nearly 300,000 were committed to mental hospitals in 1946; 50,000 more than in 1944.

Miss Marcus says these are frightening facts, "not less frightening because, under a cold war economy, we can afford to do little to relieve the adverse conditions of living that have been insidiously undermining the mental health of the American people."

Housing Impoverishment

The housing conditions of the American working class are a reflection of the low wages and impoverishment discussed above: at the same time they tend to undermine both physical and mental health. The "cold war" budget of the Federal government provides only negligible amounts to improve these conditions.

Almost one-fifth of all non-farm families in the United States in 1948 are living under "doubled up" conditions or in rooming houses, trailers or other make-shift arrangements.

As high as 15 million persons, or about 10 per cent of the population, live in wretched slums, according to estimates made in April by Senator Paul Douglas of Illinois in the debate on the inadequate administration housing bill. Douglas led a group of Senators to look at slums (under the shadow of the national capital and only a hundred feet away from the Senate Office Building) which he described as "a moral cancer, a health hazard and an economic loss," adding that this "truly terrible blight" could be duplicated in every major city in the country. He failed to point out, however, the fact that invariably the worst slum conditions were forced on the Negro people who, incidentally, predominate in the horrible slums of the nation's capital.

The President's Council of Economic Advisers, in its Annual Economic Review (January 1949), agreed that "Slums corrode our cities and shacks blot our rural landscape." Although Federal Housing Administrator Foley says that at least 17 million new homes are needed in the next ten years, the Council noted the fact that the decline in housing "starts" had taken place already in 1948 "not because the housing needs of the country have been met, and not because 'backlogs' in any real sense have disappeared. It is occurring because the housing product,

more conspicuously than any other, has priced itself out of any reasonably defined market." In other words, prices of houses have risen to the point where they are beyond the incomes of the average family.

Low Incomes and Budgets

Just how low the real incomes of the workers are, both in relation to the surplus value piled up by the capitalists and the production from which profits are derived, we have indicated above in discussing some of the effects of the war and the "cold war" on those employed in manufacturing and other industries.

A broader look at the income of the American people as a whole confirms the suspicion that the one-third of a nation "ill-housed, ill-clad, ill-nourished," which Franklin D. Roosevelt saw in 1937 is in reality at least a half and not a third of the population.

For half of the "spending units" in the country, ten years later in 1947, had incomes of less than $2,530 and more than a third had less than $2,000. These facts were brought out in the surveys for the Federal Reserve Board to which we referred in discussing the people's savings.

Another estimate early this year by the Census Bureau reported that half of the 37 million families in the country had incomes of less than $2,955 in 1947, and about 70 per cent of all families had less than $4,000.

From the surveys on distribution of income in 1947, we conclude that half of the families in the country in 1947 could not meet even the low standard of living represented by the City Worker's Family Budget of the Bureau of Labor Statistics. A typical American family of four to meet this budget needed from $3,004 in New Orleans up to $3,458 in Washington, D. C., in June 1947.*

To meet even this low standard of living, however, most American wage-earners would run up a weekly deficit. If we compare the B.L.S. weekly budget requirement for San Francisco, for example, in June 1947 with the average weekly earnings of manufacturing workers in the same month, we find there would be a weekly deficit of $14.47 or an annual deficit of over $750.

Another budget, prepared for a wage-earner's family of four in San Francisco by the Heller Committee for Research in Social Economics at the University of California, called for $3,894 as of September 1947.

* For further facts on this budget see Labor Research Association, *Labor Fact Book 9.*

But about 70 per cent of the families in the United States in 1947 could not meet this budget since their incomes in that year, the Census estimated, fell below $4,000.

By September 1948, with the cost of *living still rising, this* Heller family budget had risen to an annual cost of $4,111, or $217 more than in 1947.

A factory worker's family of four, trying to make average weekly earnings cover the Heller budget in September 1948, would have run up a weekly deficit of about $24.88, an annual deficit of about $1,294.

The figures on family incomes for 1947 indicate that at least 68 per cent of families in the United States fell below the Heller budget requirements.

It is clear also that a far larger proportion of Negro families than of white fell below the Heller budget minimum, for several reasons pointed out by Elizabeth Lawson of the Jefferson School in her recent study of "The American Living Standard." She shows that (1) the income of Negro families is lower "since even when they are in industry they are kept by and large to the lowest-paid jobs, and since they have a much higher percentage of unemployed, being the first to be fired; (2) a much larger percentage of the Negro people than white are in non-industrial jobs, such as agriculture and domestic service, which pay even worse than industry; (3) the greatest concentration of the Negro people is in the South, where wages are lowest; (4) the special cheating that goes on in regard to the share-croppers' income is the lot of the Negro people in particular; and (5) the prices which Negro families pay for rent, food and some other items are higher than for the average white family, because of segregation."

Other Burdens of the "Cold War"

A substantial part of these family budgets is made up of taxes which the people are now compelled to pay, as the mounting costs of war preparations fall with increasing weight on the shoulders of the workers and the lower-income groups.

The change in the tax set-up since before the war shows how this works out. In 1939 individuals with taxable net income of under $5,000 paid less than 10 per cent of the total individual income taxes of the Federal government. But during 1948 it is estimated that individuals in the under-$5,000 income groups paid over 50 per cent of the total.

In other words, this lower income group had its tax burden increased by 400 per cent between 1939 and 1948, while the high-income groups were given tax "relief" in the same period amounting to about 44 per cent.

It will be remembered that the 1948 Revenue Act gave $2 billion in tax relief to the 2,300,000 taxpayers making over $5,000 a year and about the same amount of relief to the 41,500,000 taxpayers earning less than $3,000 a year. This is what Congress called "equality" of treatment.

Consider also the so-called "excise taxes," which are indirect or hidden taxes placed on various goods and passed on in the price of articles and services many of which can certainly not be regarded as "luxuries." These taxes tend to cut the purchasing power of the workers and lower-income groups, to limit their consumption and to contribute to the downturn in retail sales.

The most onerous of these taxes on necessities puts an added burden of at least $2 to $3 billion a year on those who can least afford it. (Altogether about $8 billion a year is collected in Federal taxes of this type and this does not include the millions in other sales and consumer taxes collected by state and local governments.)

If all these costs of direct and indirect taxes paid to the government to carry on the "cold war" are added to the further indirect costs that have come through the inflationary rise in prices, it can be estimated that the total burden of the "cold war" to the average working-class family of four has so far averaged at least $1,000 a year.

Further, the costs of the "cold war" may be computed in terms of the failure to pass needed social legislation which could otherwise be included in the Federal budget. More than one agency of Wall Street has commented with satisfaction on the fact that as "cold war" expenditures increase, as Standard & Poor's *Outlook* put it (April 4, 1949), "the urge for costly social 'reform' legislation is likely to become less insistent."

Included among these additional sacrifices demanded of the people by the "cold war" leaders is postponement of any extension of "social security." This now fails to cover under its old-age and survivors' insurance system, some 20 million workers, farmers and self-employed persons.

The war preparations also stand in the way of increased benefits for those who are now covered. Less than $1 a day is the average benefit under the Federal old-age and survivors' insurance system, even though 2.3 million persons including retired workers, wives, aged widows, children and parents of deceased workers are dependent on such benefits.

During the 13 years since the method of computing retirement benefits

was established in the law, living costs have risen by more than 70 per cent. Yet there has been no increase in benefits. Especially during the postwar price inflation, social security standards, in the same manner as government minimum wage standards, have been drastically undermined by rising living costs.

These are just a few of the ways in which the "cold war" has been used to undermine the conditions of the masses in this country and to hasten the economic crisis. It is not the whole picture by any means. A great deal more study is needed to bring out the full analysis of what has been happening to the conditions of workers here, as well as in the countries dominated by American imperialism. Despite advantages gained by American monopoly capital at the expense of other countries, the conditions of the workers in our country have been deteriorating constantly, especially during the recent period of the "cold war" and developing crisis.

To combat the worsening conditions and to rally the workers and their allies for this fight is clearly the job ahead of us. The struggle for higher wages, jobs, peace and security has to be developed and the tide turned against the war makers.

[FIVE]

Farm Crisis Perspectives

AT THIS TIME, when farmers are being told to cut down on food production, we have a rash of new "theories" telling us that our national resources are on the brink of exhaustion and that we must resign ourselves to starvation. Fairfield Osborn in his book, *Our Plundered Planet,* states that "man's very survival" is threatened, and Willian Vogt in his misnamed *Road to Survival* declares that "the lower standard of living is here—and it is certain to go lower."

In answer to these alarmists who try to justify war and hunger as biological necessities, Henry Wallace recently declared, "From what I know about agriculture, I know that, technically speaking, the total output of the world could be doubled in twenty years. What stands in the way is not the weaknesses of science but the defects of our social and political organization. . . ."

Despite the promises of "freedom from hunger" and "full farm production," the American farmers began to hear the back-to-scarcity refrain sounded even before the surrender of Japan. At the end of 1945, Clinton P. Anderson, then Secretary of Agriculture, told the meeting of the United Nations Food and Agriculture Organization in Quebec that the United States faced the task of adjusting its production from the high levels achieved in wartime to "the new situation that peace has brought about." His crop goals for the following year called for a cut of over 7 million acres.

When wartime rationing and allocation controls were later lifted, the excuse was given that huge surpluses were already in sight. Thereafter, with every break in the commodity markets, farmers have been hearing the cry of "surpluses" ahead and have been told that only if they agree to cut production would it be possible for the government to keep its price support promises. Along with these dire predictions, the farmers have, on the other hand, been officially assured, as in the latest report of Secretary Brannan to the President, that "in the years ahead demand here will absorb increasing quantities of food at prices relatively favorable to the farmers." Such double-talk has created considerable confusion. A careful examination of what has been happening to American agriculture is necessary if we are to find out where we are and where we are heading.

Stresses and strains in agriculture have been increasing, and the trend in agriculture has been downward during the past two years. The decline thus antedates the present crisis of overproduction in industry and has contributed significantly to the outbreak of that crisis. Also, while a crisis in agriculture tends to describe its own peculiar course, it is in turn deeply influenced by what happens in other branches of the economy.

Postwar Shrinkage In Farm Market

The farmers' domestic market has been shrinking for the past two years. According to the Department of Agriculture's figures, the index of civilian per capita food consumption (1935-39=100) dropped from 118 in 1946 to 116 in 1947 and then to 112 in 1948. This is a drop of five per cent.

During this period of inflation, with the purchasing power of the workers cut, the per capita consumption of meats dropped from 153 pounds in 1946 to 146 in 1948; milk and cream from 420 pounds to 388, fruits from 140 pounds to 134 and fresh vegetables from 270 to 256 pounds. Of course, these figures are averages which understate the effects upon the lower income groups, but even so they serve to indicate that the conditions of the workers have been deteriorating and that the domestic market has been contracting.

Next, we turn to the export market. Though the Marshall Plan was loudly ballyhooed as philanthropy intended to feed hungry people abroad, United States food exports dropped from $3 billion in 1947 to $2.5 billion in 1948, or by 17 per cent. In addition, exports of other farm products such as cotton and tobacco also dropped. After the war, our cotton exports fell off quickly, and by 1947 they were described by the Department of Agriculture as being "at the lowest level in 75 years." Even with a slight increase last year, it is apparent that importing nations are forced to buy their raw cotton from non-dollar sources and that the specter of "surpluses" is already beginning to haunt the American cotton fields. Similarly, tobacco exports are down to prewar levels. Our officials tell us that tobacco's "export future is uncertain" and that "this year's total exports of U.S. tobacco may be no more than two-thirds of what they were last year."

Taking agricultural exports as a whole, we find that the grand total amounted to $3.9 billion in 1947 and fell to $3.4 billion in 1948. All

farm exports thus dropped 12 per cent as compared with a decline of 17 per cent for food exports alone.

Because our food shipments abroad in this postwar period amounted to only about 10 per cent of our total food production (the high being 14.5 per cent in 1945 and the low nine per cent in 1948), it may be thought that the dropping off of food exports has only a negligible effect on the agrarian economy. Actually, as events have shown, even a relatively slight contraction of the market, either at home or abroad, can cause farm prices to break sharply, accentuating the crisis trend.

Farm Prices and Income

With the shrinkage of the farm market, we have seen a succession of sharp "breaks" in commodity prices. After each of these "breaks," farm commodity prices recovered part of the lost ground, but each time they "readjusted" at a lower level.

Although the monopoly press has tried to paint the farmers as the villains of inflation, responsible for high living costs, the figures show that most of them must actually be numbered among the victims of inflation. Since the scrapping of price controls in 1946, prices have continued to move against the farmers, at the same time that the domestic market for their output fell off. This ratio of farm prices to non-farm prices is known as "parity"—that is, the purchasing power of a bushel basket of farm produce today as compared with the period 1909 to 1914. In 1946, farm prices averaged 120 per cent of parity, but in 1948 they were down to 115 and by March of this year to 106 per cent of parity—*a drop of* 12 *per cent in parity or purchasing power terms.*

This is another way of saying that the "price scissors" is again making itself felt and that the speed at which the blades have been moving has tended to increase. Because of the rapid rate of mergers in the food industry and the growth of monopolies in general during the war and post-war period, the "price scissors" become even more menacing to the farmers than in former years.

Estimates of farm income, like figures on employment, are subject to a great deal of padding, and since 1948 was an election year, recent figures are not to be taken too seriously. If anything, these figures are an overstatement, as shown by the recent disclosure that in the first quarter of 1949 the Department of Agriculture has been adding something like $2 billion a year to the annual rate of farm income. The New

York *Journal of Commerce* (April 3, 1949) reported that a "drastic" revision is now in process and that, according to economists in the Department of Commerce, farm income *dropped* in the first quarter of 1949, instead of *increasing* as the Department of Agriculture had estimated. Even allowing for such statistical sleight-of-hand, we find that net farm income turned down in 1948 (dropping from $17.8 billion in 1947 to $17.4 billion in 1948) and that the purchasing power of cash receipts from farm marketings also dropped in 1948 (from $22.4 billion in 1947 to $21.2 billion in 1948). In his recent testimony before a House Committee, Secretary of Agriculture Brannan declared that the "peak of prosperity for farms seems definitely to have passed, and the March issue of the *Farm Income Situation,* published by the Department of Agriculture, revises more optimistic earlier estimates and says: "Farmers' net income in 1949 is likely to be considerably less than the $17.4 billion they realized last year." Meanwhile, farm taxes, state and Federal, have been increasing rapidly, and, as a result of the latest tax law, farmers in 1948 paid Federal income taxes of nearly a billion dollars, nearly four times what they paid in 1944.

Mechanization and Over-Production

After World War I, agriculture throughout the capitalist world sank into a state of chronic crisis, which was a component part of the general crisis of capitalism. This chronic crisis continued to hold American agriculture in its grip for more than two decades. It was not until World War II devastated or blockaded huge farm areas abroad that American agriculture gained temporary relief and once again had a market for all it produced. In fact, it was not until December 1942, one year after Pearl Harbor, that the reduction lid was officially lifted from American agriculture. Mechanization then proceeded at a rapid rate, and our wartime agriculture increased its output by nearly one-third.

No such expansion had occurred during World War I. Although the slogan of "wheat will win the war" was voiced in 1917 and the mechanization of wheat moved ahead, the total output of United States agriculture showed little increase. In World War II, however, mechanization advanced at a rapid rate, affecting most of the major crops and many of the minor ones. While tobacco is the most notable exception, there are few row-crops that have not felt the effects of this wave of mechanization. Though the fiction was maintained during the war that farmers were

producing "more and more with less and less of everything," the figures, which were not made public until after the war, tell a different story. They show, for example, that between 1940 and 1945, tractors on farms increased 55 per cent, grain combines 74 per cent, corn pickers 53 per cent, milking machines 117 per cent and trucks on farms 39 per cent. Electrification increased, and new equipment and barns were installed. In general, the organic composition of capital in American agriculture was raised.

With this wartime expansion of farm output, there occurred the most rapid increase in productivity ever recorded. The productivity per worker in agriculture (hired workers and unpaid family workers) climbed at a rate eleven times greater than the average increases reported for the two preceding decades. The wartime expansion of farm output was accomplished with a 14 per cent reduction in hired workers, a 4.1 per cent drop in family workers and some 220,000 fewer farms. For the time being, this widespread displacement of farmers and farm workers was absorbed in the armed forces and military production. But conditions were being created for an especially sharp agrarian crisis, contributing heavily to the potential mass army of jobless.

Of course, this expansion did not take place uniformly over all farms. The latest Census reveals that half of the farms in the United States had gross value of product of less than $1,500 for the relatively prosperous year 1944; and two-thirds had a gross value of product of less than $2,500.

These farm families could not afford to buy corn pickers, jay foragers, or other high-cost machinery. This is confirmed by the latest Census figures which show that two-thirds of the farms in this country do not own a tractor. Thus, it is plain that mechanization has taken place mostly on the upper third of the nation's farms, the third which takes in more than two-thirds of the gross farm income.

The trend of expansion of farm capacity has continued into the postwar period. This is indicated by the increase in total farm output, as shown by the index for all farm commodities, which moved from 133 in 1945 to 138 in 1948. If we leave out livestock and look only at the row-crops, which most clearly reflect the impact of mechanization, we find that the production index for all crops has increased from 122 in 1945 to 149 in 1948, or by 22 per cent since the end of the war.

Agriculture has expanded its production by 30 to 40 per cent since the beginning of the war, and it now faces the prospect of market gluts

and overproduction, with an enormous excess of capacity. The disparity between big agriculture and the small farmers has been greatly widened.

The middle farmers realized that they must keep up with big agriculture if they are to survive. In this race to mechanize, however, many of the middle-size farms were left behind as inflation pushed prices for machinery beyond their reach and forced them to cancel orders for new equipment, while others have run into debt in their effort to mechanize. In fact, many of the middle farmers have over-mechanized in relation to the market possibilities now open to them. In a recent article entitled "Are Farmers Buying too Much Machinery?" the Department of Agriculture concludes that about one-fifth of the farmers who have been buying machinery are in trouble because their scale of operations is not large enough to permit full utilization of the machines, and as farm prices drop they cannot meet the heavy overhead costs they have incurred.

As farm prices drop, the big farms, using the latest machinery and most efficient methods, can continue to produce at a profit, even at prices which are ruinous to the medium and small farms. The man-hours required to produce a ton of hay on a big farm using the newest foraging and baling machinery are only a small fraction of the time required on a small family-operated farm; and, with the wages of agricultural workers already dropping, the competitive advantage of the big farms is increased. This tremendous expansion of agricultural capacity has created the conditions for rapid polarization—that is, for speeding up the rate of concentration in agriculture and greatly intensifying the squeeze on the middle and small farmers. It also prepares the way for increasing the rate of exploitation of the agricultural workers.

This march of mechanization has also proceeded unevenly over different sections of the country. In California, where cotton production has more than doubled in the last 10 years, mechanization has been most rapid; and on the big western farms all phases of the production process, including picking and cultivation, are done by machinery. In the South, however, the spread of mechanization has been retarded by the plantation system, which relies upon an abundant supply of underpaid sharecroppers, tenants and wage workers, mostly Negro, to maintain the political rule of its planter caste. Within the domestic economy, the plantation system is the weakest link in the weakest sector of the chain. This was demonstrated in the 1930's when a quarter of a million sharecroppers were driven off the land, and planter brutality reached a feverish pitch, with the Negroes being the chief victims of this oppression.

Now, with the uneven development of mechanization, the contradictions which confront the plantation system are further aggravated, and, as the price of cotton declines, the Southern planters are already trying to maintain their position by reducing the meager earnings of the sharecroppers, tenants and agricultural workers. During the previous crisis, big business went to the aid of the plantation system and helped the planters to get the Federal funds needed to bail out their system. In return, the political power of the planters became the most dependable and convenient instrument by which the N.A.M. could sabotage New Deal reforms and advance its reactionary objectives. Today, this alliance is more menacing than ever before, for the chauvinist schemes of the planters, including their Dixiecrat Party, are part of a concerted drive to subvert democratic processes of government, to increase the persecution of the Negro people and open the way for fascism.

During the war, government committees drafted a multitude of plans for shifting Southern agriculture from cotton to other types of farming, but these "paper" plans have all been shelved. Nothing more is said about them, even though the chronic sickness of cotton is recurring and a heavy carryover is already piling up. The Southern planters have consistently opposed every proposal, no matter how slight, for improving the lot of the sharecroppers, tenants, and agricultural workers. They led the fight to discontinue even the slight assistance which the Farm Security Administration brought to some of the displaced farm families in the South. They are now seeking to block any social welfare measures, at a time when the crisis factors in Southern agriculture have accumulated to such an extent as to prepare new mass evictions from the land of Negro and white croppers, tenants and small owners.

During the war, we heard a great deal of talk about "postwar reconversion," and many would-be planners assumed that, after the war, American agriculture could be kept at an even keel. When the long-hidden facts began to emerge, however, it became apparent that agriculture faced a severe crisis. All kinds of "solutions" were then bandied about. The Department of Agriculture began to urge that quick action be taken to open "employment offices in rural areas," and *Life* Magazine publicly called for the elimination of what it termed "3,800,000 marginal or submarginal farms" on the ground that they are responsible for breeding the Dillingers and "Pretty Boy" Floyds. All of these "solutions" are premised on the assumption of the greatest profit for the smallest number, and all of them conclude that the small and middle farms should be

gobbled up by the big farms. Since big agriculture is now inseparably intertwined with big business, it is not surprising that the N.A.M. and Chamber of Commerce have been not only applauding but also inspiring these proposals.

U.S. Agriculture in Relation to the Rest of the World

Shortly after World War I, agriculture in practically all parts of the capitalist world experienced a crisis of overproduction, and so protracted was this crisis that it has been called "the chrònic crisis of agriculture." In the United States, the effects of this crisis were particularly severe. Even though 2.5 million farms went through forced sales, unmarketable "surpluses" and government-directed crop reduction measures, the effect of the crisis continued to plague the farmers for two decades.

Owing to the restrictive effects of the general crisis of capitalism, agriculture could no longer rely upon a further expansion of the economy to pull it out of its crisis but could gain temporary relief only by the process of degradation—that is, reducing the productive capacity of agriculture by letting farms run down, failing to replace machinery, lowering the living standards of the farm workers and eliminating many farms from production altogether.

World War II speeded up this process on a world scale by substituting destruction for degradation, and, as the war spread havoc over farm areas abroad, it made possible the wartime boom and further expansion of American agriculture. Thus, the relief which the war brought to American farmers was largely at the expense of agriculture in other parts of the world. It is a temporary condition, depending largely upon the rate of recovery from the effects of the war by agriculture abroad.

After World War I, European agriculture recovered rapidly from the effects of war, so rapidly that in the last half of 1920 the prices of the major export crops dropped as much as 50 to 65 per cent, and stayed down. It is not surprising that farmers who remember this sudden collapse of prices should be "jittery" every time the market dips, nor that economists have been eagerly watching the rate of recovery of agriculture abroad since World War II. Although a quick recovery in Europe had been expected, in keeping with the experience after World War I, the rate of recovery has been much slower than before in the case of Western Europe. Therefore, after the war, agriculture in the United States continued

temporarily on an upward course until 1947, even though industrial production was by then considerably below the 1943 peak.

While official figures on world food production have never been particularly reliable, the postwar use of food and hunger as a major political weapon has made them even less reliable. But these official figures cannot conceal the fact that the postwar world is still a very hungry world. The Office of Foreign Agricultural Relations reports that world food production last year, exclusive of the United States, was smaller by volume than in prewar years. When we take into account the 10 per cent increase in world population, it is apparent that the hunger gap is greater than before the war. During the war, the farmers were assured that a long-range program of full farm production would be needed to banish hunger from the postwar world. But now we find that our food exports are being curtailed even before agriculture in other parts of the world recovers from the effects of war.

Since Europe has long been the chief market for farm exports from the United States, let us look at the situation there in more detail. The Office of Foreign Agricultural Relations reports that, for all of Europe, the production of bread grains (wheat and rye) was 10 per cent lower last year than before the war, even though weather conditions were highly favorable. Strangely enough, the Office of Foreign Agricultural Relations gives us no comparison of farm production for Eastern and Western Europe, but its own figures on consumption admit that in the Marshall Plan countries, whose larders have supposedly been stocked with generous American shipments, daily diets are 100 to 300 calories short of prewar levels. More light on this situation is shed by D. A. FitzGerald, head of the E.C.A.'s Food and Agriculture Division, who recently declared that in the Marshall Plan countries, "per capita meat consumption is estimated at about 30 per cent below prewar, fats more than 20 per cent and dairy products about 10 per cent below prewar." FitzGerald who speaks for the Marshall Planners, baldly states that, in these countries, "prewar qualitative standards will not be regained, according to present plans, even by the end of the Marshall Plan period in 1952-53."

One of the first acts of Truman upon entering the White House was to appoint Herbert Hoover as food administrator, and in place of the United Nations' policy of food distribution previously agreed upon through the United Nations Relief and Rehabilitation Administration, aggressive measures were taken to put a hunger squeeze on the people's democracies of Eastern Europe. Not only was U.N.R.R.A. shut down but commercial

food shipments were also blocked. That the blockade of Eastern Europe was intended to make hunger a political weapon was shown by the lengths to which the State Department went in preventing these Eastern democracies from buying even the surplus potatoes that were then crushing with steam-rollers.

Farmers here were assured that Marshall Plan "relief" would more than make up for the elimination of U.N.R.R.A. and the boycott of Eastern European markets. Not only was the Marshall Plan presented as a vast food relief program, but it was also ballyhooed to the farmers as a gigantic scheme for preventing surpluses and underwriting the price support promises. The illusion has been generated that Marshall Plan shipments are a net addition to the demand for United States foodstuffs, over and above what was being shipped in the two previous years. That this is *not so* is shown by the fact that the total volume of agriculture exports to Western Europe was *less last year than during each of the two previous years.*

The Marshall Plan has done no more to solve the food problems of Western Europe than to solve the farm problem at home. In fact, it has intensified the contradictions abroad as well as at home. So tight is the control over dollar exchange that importing nations are forced to derange their economies in order to grow themselves or buy elsewhere the farm products which they previously purchased here. In commenting on the drop in cotton exports to Europe, P. K. Norris, economist for the Office of Foreign Agricultural Relations, asked: "Do you think such a country [one dependent upon Marshall Plan funds for exchange] will buy cotton from the United States and risk getting its industrial products in other countries?" He himself answers, "No."

Countries which had to buy wheat in the United States were forced by the milling trust to take it in the form of flour, thereby rendering their own plants idle and depriving them of the by-products needed to feed their livestock industry. Marshall Plan "relief" has not stopped black market operations, speculation and hoarding in these countries but has only served to channel the profits of these dislocations into the pockets of a chosen few, those who got the big contracts or could arrange lucrative dumping operations.

Now the Marshall Planners are insisting that vassal nations buy more military goods and less food; and in analyzing the economies of these countries, they talk about the "compressibility of consumption." On April 4, the E.C.A. reported that it was "shifting from the 'first things

first' emergency phase to the 'build the future' phase" of its program. Though Western Europe is particularly in need of high-protein and protective foods, it was announced that dairy products, eggs, meat, fresh and processed fruits would be the first items to feel the pinch of the new E.C.A. restrictions. It was also made plain that exports even of the low-cost foods, such as wheat and other grains, would be tapered off.

The drop in food exports and E.C.A.'s preparations for further reductions show how false have been the Marshall Plan promises of food relief. Every effort is made, however, to continue the fiction that heavy military spending will ensure farm prosperity. Thus, the Department of Agriculture in its outlook for 1949 told the farmers:

"The increase in government outlays projected in the President's Budget Message, if appropriated by Congress, will be large enough to offset a moderate decline in private spending and still maintain overall economic activity. . . ." (*National Food Situation,* Jan.-March 1949.)

On the contrary, the evidence shows that military spending has not been able to stop the decline either in industry or in agriculture, and the farmers have already seen farm income going down, purchasing power dropping still faster, markets dwindling, taxes and debts increasing and the "scissors" returning.

For Western Europe, these "cold war" policies have neither solved the food problem nor encouraged orderly agricultural recovery. Despite all the talk about rehabilitating war-torn Europe, the Marshall Planners now admit that they are not even trying to restore food consumption to prewar levels, which they themselves characterize as "low." When land reform programs were started in Eastern Europe, headlines here told us that vitally-needed food production would be endangered; and later we were told that land reform programs would be launched in Western Europe and in Japan. These Western plans were "paper" plans, and recent press accounts now admit that land reforms in Western Europe and Japan have failed. Thus, the *New York Times* of April 15 reports: "U.S. Military Government officials admitted today that an attempt to effect land reform in the United States zone had failed." But the land reform programs in the peoples' democracies did not fail, and, instead of compressing their consumption, they are expanding it.

Recent efforts to negotiate a world wheat agreement clearly reflected the contraction of the market and, with this, the sharpening of antagonisms between nations. Because the agreement negotiated a year ago was never ratified by the United States Senate, a repeat performance was

held. This time, as the New York *Journal of Commerce* put it (March 29): the importing nations "played hard to get" and "it took the E.C.A. club to get them into line." As compared with the quota of 500 million bushels a year agreed upon last year, the importing nations could not be induced to take more than 454 million bushels a year, and the United States quota was cut from last year's figure of 185 million bushels to 168 million bushels. The pricing formula, though complicated, cannot conceal the fact that the new prices are lower than the old ones and that the agreement is premised on the assumption that wheat prices will continue to decline in the course of the next four years. That the competition for markets can be expected to become more intense is shown by Argentina's action in refusing to join with the exporting nations; that the world wheat agreement is not designed to achieve international economic harmony by sharing markets equitably is shown by the flat rejection of the Soviet Union's offer to participate and of its modest request for a quota of only 75 million bushels.

In its bid for world domination, big business has tried to convince the masses of American farmers that they have a heavy stake in the success of the "cold war" and that the swallowing up of world markets will increase the outlets for United States farm products. While the Marshall Plan has enabled a few monopoly interests to make handsome profits by dumping dried eggs, powdered milk, flour, hominy grits and coffee abroad, the net effect of this imperialist policy can only be the curtailment of foreign markets for American agricultural produce. The object of the Marshall Planners is not to lift the living standards of West-European nations but to hold them down. The cost of this "cold war" policy is a marked shrinkage in the living standards of the American workers and farmers.

If this course is continued and big business succeeds in reducing major areas of the world to a semi-colonial status, then the American farmers will see not only a drop in their food exports but also an increase in agricultural imports. American monopolists have no intention of allowing the Marshallized countries to get out of debt by selling industrial products in the United States market. Yet, American monopolists who control enterprises in foreign countries must find some means of transferring the superprofits which they make abroad to their treasuries at home. As the pressure for such exchange increases, the tendency will be for these debtor countries to increase their exports of raw materials and farm products, even though their own people are hungry. The result of this

will be to force a further reduction in the market available to United States farm exports.

What Is the Economic Outlook?

American agriculture is again being gripped by a crisis of overproduction. Though the conditions of crisis have developed at a slow tempo, the decline has continued over the last two years and the rate of decline has been increasing. During this period, the conditions of crisis have, in fact, been developing more rapidly in agriculture than in industry. It is particularly significant that in 1948, when industry climbed to a postwar peak, agriculture continued on its downward course with its markets shrinking at home and abroad.

What the pattern of this agricultural crisis will be depends upon many factors, including the policies that are used to postpone or alleviate it and the speed at which the crisis in industry also develops. Even if further declines in industrial production and employment were temporarily halted, the likelihood is that agriculture would proceed on its downward path, but a sharp industrial break would quickly and drastically affect the pattern of this agricultural crisis, causing a precipitous drop instead of a slower and more rhythmic descent.

All signs point to the further deterioration of agriculture, and a return to the conditions of protracted and chronic crisis which prevailed in the interwar decades. While the war temporarily lifted the pressure of surpluses and crop reduction, it has greatly sharpened the basic contradiction between the expansion of production and the restriction of the market. Heavy "cold war" expenditures have not halted the decline in agriculture, and the net effect of this policy can only be that of lowering food standards both at home and abroad. Moreover, there has been a rapid growth of monopolies in all phases of the food processing and distributing fields. These monopoly interests conspire to hold up prices to the consumers while driving down the prices they pay to the farmers, thereby restricting the market for farm products still further. For example, we recently saw bread prices go up at the same time that wheat went down.

On the other hand, government spokesmen have repeatedly called attention to the fact that while the farm mortgage debt doubled after World War I, it was actually reduced during World War II. This has been achieved through a concerted policy on the part of the banks, insurance companies and government agences of limiting mortgage loans to the

"best risks." It is true that to the extent the farm mortgage debt is held down, the pressure of displacement through forced sales and foreclosure is lessened. But it is apparent that this policy has been only partly successful, since farm land values have increased more than after World War I. Rentals paid by farm tenants were at no time brought under control and the farm debt on non-real estate items has gone up nearly 50 per cent in the last two years. Most important of all, however, is the fact that this policy of withholding mortgage loans from the small and middle farms has accelerated the growth of big agriculture and made it impossible for the smaller farms to keep pace.

With easy credit available to them, the big farms have continued to expand their scale of operations and to buy more machinery, improving their market position at the expense of the medium and small farms.

Concentration in agriculture has already reached such an extreme form here in the United States, where capitalism in agriculture is most highly developed, that even a slight contraction of the market can set forces in motion which tend to displace hundred of thousands of farm families. The last Census of Agriculture showed that in 1944 the top 10 per cent of farms sell half of all the farm products which are commercially marketed, while the bottom half of the farms, three million in number, are left only 10 per cent of the market.

Few city people realize how low are the incomes of most farm families. A rough measure of comparison is given by the Department of Agriculture's estimate that the average income of persons on farms amounted in 1948 to only half that of persons not on farms, and even if we include income from other sources (such as work done off the farm) the ratio is only 60 per cent. Despite the stories of farm prosperity, the cold, hard figures show that most of the farm families of this country face the recurrence of crisis with no savings or liquid cash resources on hand. A survey made by the Federal Reserve Board early in 1948 showed that 57 per cent of the farm families held no government bonds and 83 per cent had no savings accounts in banks. An earlier survey by the Federal Reserve disclosed that the top 10 per cent of the farms had 75 per cent of the bonds and 70 per cent of the demand deposits held by farm families.

What is the Administration's farm policy and how will it affect the pattern of the crisis? Under pressure of "cold war" spending, most of the farm programs have been cut sharply, and the chief question still to be answered is whether the price support promises to the farmers are to be kept. To the extent that the government keeps its support promises, it

can help to brake the decline in agriculture even though such action is not likely to alter the extent of the drop. Last year, the farmers saw wheat and corn prices drop through the guaranteed price floors without stopping or even slowing up, and since that time they have seen a marked increase in the stockpiles of unsold farm products.

More recently, however, Secretary of Agriculture Brannan reiterated the Administration's promise of effective price floors to the farmers, but, in announcing his new program, Brannan asserted that the "production of most agricultural commodities" can be expected to exceed market demand and that "farmers have to prepare to moderate production." In exchange for the promise of price supports, the Administration is demanding that the farmers give it a blank check to cut production and regulate market quotas.

This new farm program was offered to the accompaniment of familiar Trumanesque tunes, promising lower prices to the consumers, higher support prices to the farmers and a curb on big agriculture. In his first skirmish on Capitol Hill, however, Brannan quickly waived his proposed curb on big agriculture, and though the cost of an effective price support program would require a substantial increase over funds now available, Brannan sidestepped the important question of how much his program would cost and where the money is to come from. It is quite apparent that the Administration is playing its usual game of making noisy promises with full confidence that Congress will withhold delivery.

It is significant to notice, however, that Brannan's proposal of high price supports evoked a storm of protest from big business and big agriculture. As the signs of crisis loom larger, they are demanding that the Administration move more swiftly to cut down farm production, to lower support prices and to put the burden of reduction on the backs of the smaller farmers. The New York *Journal of Commerce,* which has been urging immediate measures to slash the production of grains and cotton by 25 per cent, said that it was "stunned" by the Administration's new farm program. The Farm Bureau's national office, which speaks for big agriculture and wants support prices fixed well below production costs of medium-size farms, caustically denounced the Brannan program.

Today, the alliance of big agriculture and big business, including that between the banks and the plantation masters, is much more intimate than ever before. As compared to the situation that prevailed after World War I, their ideas on farm policy are in much closer agreement. Instead of letting the farm crisis take its course for nearly ten years before re-

sorting to state intervention, they have been drawing up proposals for more stringent regulation by the government to restrict farm production and force the small and middle farms, and the Southern croppers and tenants, to bear the major brunt of crop reduction measures.

A report, signed by representatives of the United States Chamber of Commerce and the National Association of Manufacturers, demands that the government's farm program be designed to benefit only the big farms and, after noting that the top third of the farms already account for more than two-thirds of the total farm production, it envisages the elimination of as many as two-thirds of the nation's farms from commercial production. This report, titled, "Variations in Farm Incomes and Their Relation to Agricultural Policies," was signed not only by an imposing array of big busines executives but also by representatives of the Farm Bureau and Grange, thereby proclaiming a political and economic compact for the expropriation of the small and middle producers.

These proposals make it plain that the war brought only temporary relief to American agriculture from the restrictive pressure of the chronic crisis and that, as the conditions of crisis again close in, big agriculture hopes to relieve the pressure upon it by increasing the pressure on the small and middle farms. Its proposals threaten to impoverish the great majority of the farm families, forcing them into peasantry or into the ranks of job-seekers in the city.

The measures that are being set forth by big business and big agriculture to cut food production and displace several million farm families are of no less concern to the workers than to the small and middle farmers and the croppers of the plantation economy. The uprooting of farm families would add to the numbers of unemployed and drive down the living standards of both groups. As the conditions of crisis develop, the need for a political coalition that will unite labor with its rural allies, including the alliance between the workers and the Negro farmers in the South, becomes increasingly apparent and increasingly urgent. The workers have a vital stake in helping the sharecroppers and tenants, as well as the small and middle farmers, in their struggle for land and to see that they are not made the victims of a ruthless policy of elimination. The workers and working farmers have a common interest in supporting immediate measures to increase food consumption, to raise the living standards of the people, to narrow the inflated profit-margins of the trusts and to reverse the present, ruinous policy of spending everything for war and nothing for the people or for peace.

[SIX]

The Military Economy and the Ruling Oligarchy

UNDER THE IMPACT of measures taken by the Truman Administration to overcome the critical position of postwar capitalism, significant transformations are taking place in the economy of our country and also in the state.

The economy is becoming increasingly militarized. Faced with a greatly over-expanded industrial plant and an acutely shrunken world market, the monopolists seek to avert a catastrophic crisis by recourse to military production for the government.

At the same time, big business control of the state is not only becoming more pronounced, but the state itself is becoming more centralized under an oligarchy of monopoly and the military. Faced with overwhelming people's resistance to their global expansionist program and with the danger of sharper class struggles at home as the economic crisis grows, the decisive monopoly groups seek to guarantee political dominance through consolidating their hold over the state and by turning it into a militarized monopoly state.

Both these tendencies reflect the profound contradictions inherent in American imperialism immediately following World War II, when the general crisis of capitalism has become much more acute. These developments carry within them the dangers of fascism and war.

Militarization of the Economy

Since World War II, the American economy has been increasingly geared to military production in a futile effort to replace curtailed civilian markets. The chief instrumentality to this end is the Federal budget.

Basically, Federal budgets are now military budgets. Normal activities of the government have been subordinated to the "cold war." First priority is given by the Administration and Congress to military spending; and the "economy drives" have resulted only in curtailed social welfare expenditures.

Illustrative is the Federal budget for fiscal 1950. Proposed expenditures for military and foreign programs in furtherance of the "cold war" total almost $22 billion, as compared to one billion dollars of military spending in 1939. "Cold war" spending now amounts to 52 per cent of the budget.

In sharp contrast, expenditures for the "Fair Deal"—social security, health, housing, education and labor—comprise only eight per cent of the 1950 budget as compared with 43 per cent of the budget in 1939. Although the population has increased by 14 million since 1939, Truman actually proposes to spend *half a billion dollars less for* these purposes than was spent in 1939; and this figure does not take into consideration the greatly reduced purchasing power of the current dollar as compared with prewar.

The percentage of the budget spent for agriculture has also dropped considerably. But interest on the national debt, as a result of borrowing for war, has risen steadily and now totals $5.5 billion. This indebtedness is principally to banks, insurance companies and wealthy individuals.

The obvious military items listed in the budget do not tell the whole story, because official budget classifications conceal the integration of "cold war" spending with programs of old-line Federal agencies ostensibly devoted to social welfare functions. For example, the $50 million appropriation for the Federal Bureau of Investigation is included by the government in the "Social welfare, health and security" category! Expenditures for public roads for national defense are classified as "transportation and communication." The Bureau of Labor Statistics has been devoting an increasing share of its inadequate funds to "cold war" projects, such as propaganda reports on working conditions here prepared for consumption abroad.

Moreover, the military budget carries within itself the program for a continuously rising level of expenditures, appropriations for which will depend upon the success of the warmongers in warming up the "cold war."

Universal military training, if enacted, would required expenditures of $600 million in the first year of operation in 1950. For later years, Truman estimates annual expenditures of $2 billion; and Senator Taft estimates $4 billion. If U.M.T. is not enacted, these funds may be requested for other military uses.

The North Atlantic Pact, for which no recommendation was made in the budget, will require expenditures of $1.13 billion in 1950, of which

$452 million covers armaments from our military stockpile, having an estimated current replacement cost of $8 billion.

Similarly the 70-group air force will call for increased spending of billions of dollars in later budgets.

These huge military expenditures have become a *permanent* part of the American economy, necessary props for a decadent capitalism. That is why peace movements are attacked by top government officials as "subversive." That is why financial journals warn of the catastrophic effects on American business of any slowing up in military spending as a result of peace "offensives."

The impact of this enlarged military spending upon the economy, of course, has been to divert a substantial share of the nation's productive resources—plants and equipment, materials, research and manpower—into military channels. Legislative measures have been adopted to facilitate this development.

The National Military Establishment, for example, is authorized by law to maintain an industrial reserve of war-built plant capacity for possible future emergency. Plants in this reserve can be sold or leased to private industry, provided they are kept in condition for conversion to war use within 120 days.

As of February 28, 1949, the National Industrial Plant Reserve consisted of 236 industrial facilities, amounting to 15 per cent of the $15.8 billion worth of Federally-financed plants constructed in World War II.

The Military Department is also authorized by Congress to set up a reserve of 232,000 machine tools of various descriptions from those owned by the government to be selected for storage. If this machine tool reserve is attained it will equal two to four times the current production of the industry.

Industrial raw materials are also being diverted to military uses. The Munitions Board is spending $500 million a year building a stockpile which "will absorb significant percentages of the prospective supply of such materials as copper, zinc and lead." The objective set is a reserve of $3.7 billion. The details of the stockpile are a military secret; but there is no question that the withdrawal of these scarce materials from the market helped drive prices up and, in the case of aluminum, interfered with the expansion of farm electrification.

Research is now almost completely under the domination of the military. University and industrial research laboratories are working for the National Military Establishment on problems dictated by military con-

siderations and under military controls. Military research expenditures amount to about half of all government, university and industry research.

"Cold war" expenditures likewise divert an increasing portion of the manpower of the country into the armed forces and reserves and into production geared to supplying the armed forces. In fiscal 1950, the regular armed forces and civilian employees of the National Military Establishment will total 2,548,000, as compared to 554,000 in 1939. This military manpower will comprise four per cent of the labor force, as compared to one per cent in 1939. More than this, an estimated 2.5 million workers in private industry are employed in producing goods and services used by the armed forces and for the Marshall Plan.

Significantly enough, this diversion of some 5,050,000 workers (approximating eight per cent of the labor force) to the regular Army and to supplying the military and foreign programs has not prevented an increase in unemployment, according to the U.E. estimate, to 4,700,000 in March 1949. Development of the crisis of overproduction proceeds despite the "corrective" of huge military budgets.

The impact of enlarged "cold war" spending has varied among specific industries. Contrary to popular impression, such expenditures have had most pronounced effect in consumer goods industries.

Approximately two-thirds of the current military budget goes for payrolls and subsistence and hence mostly into consumer goods industries. Almost half of Marshall Plan purchases in the United States market go for food, feed and fibers which normally appear as products of consumer goods industries. Yet, symptomatic of the developing crisis, prices, production and employment broke first in these industries.

Although military spending for heavy goods is substantial, it is considerably less than military payrolls and subsistence expenditures. About one-third of the military budget goes into heavy goods, mostly aircraft, but also including ships, public works, etc. Only about 13 per cent of Marshall Plan purchases are machinery and equipment. Aircraft is the major beneficiary of "cold war" spending (three-fourths of current production is purchased by the armed services); but shipbuilding remains in the doldrums, apparently reflecting the declining importance of naval forces in current strategic planning. Even in steel, the effects of "cold war" spending show signs of wearing off, current predictions being that operations will be down to 75 per cent of capacity by the end of 1949.

Military and E.C.A. purchases have also operated to augment shortages and create high prices for such raw materials as coal, petroleum, cop-

per, lead, zinc, aluminum, steel scrap. Since December 1948, however, there have been pronounced price breaks for these commodities—again, despite the increased tempo of "cold war" spending.

Thus, military spending now dominates the Federal budget and absorbs an increasing portion of the nation's plant capacity, raw materials, man-power and research. Still, although the military budget has had a temporary sustaining effect in certain industries, it has been unable to prevent a general down-turn in production, prices and employment. It becomes increasingly clear that "cold war" shots-in-the-arm afford no cure for the crisis of over-production.

New War Agencies

Paralleling the postwar militarization of the Federal budget and diversion of a growing sector of the nation's economy to "cold war" purposes, there has been a further consolidation of finance capital's control and direction of the government. This has been accomplished not only, as in the past, by filling important Federal administrative posts with direct agents of big business, but especially by creating a new structure of top-level control agencies connected with the military program.

The increased tempo of military spending has made the dollar-a-year man and his close associate, the professional militarist, permanent and predominant features of the ruling Washington bureaucracy. Of 125 appointments by President Truman in 1946-48, there were 66 financiers, industrialists and corporation lawyers, and 31 generals, admirals and other military men. In addition, hundreds of industrialists, financiers and corporation lawyers serve on important advisory committees or "task forces" of the Federal government. Moreover, despite Truman's 1948 election speeches "attacking" Wall Street, subsequent shifts in key personnel have found Wall Street men replacing Wall Street men.

So pronounced is this fusion of financial and industrial capital and the military with the state that the postwar years have witnessed a constant two-way traffic between Washington and the business centers of the nation. Men like Forrestal, Harriman and Johnson leave Wall Street to take desks in Washington. Men like Charles E. Wilson of General Electric commute between a New York office and a desk in the Pentagon. A number of other men leave Pentagon offices for top jobs in corporations, but return to Washington as regular advisers of the "cold war" agencies or as potent lobbyists for their industries. Examples include Lieutenant-

General Brehon Somervell, wartime commander of Army Service Forces, now president of Mellon's Koppers Co. (coke and chemical) and a key government adviser on industrial mobilization; Major General Oliver P. Echols, wartime chief of Air Force Material Division, now president of the aircraft industry trade association, Aircraft Industries Association, and a key witness in hearings for the seventy-group air force; Rear Admiral Lawrence B. Richardson, wartime assistant chief of Naval Bureau of Aeronautics, now vice-president of the nation's largest aircraft producer, Curtiss-Wright; and many others.*

Forced to rely increasingly upon the state in a desperate effort to ward off the developing economic crisis and to extend its world-wide imperialist domination, finance capital is now taking major steps to streamline the governmental structure to the end of more complete and efficient mobilization for war.

Even before the end of World War II, big business and big brass were already making plans to militarize the postwar economy and to effect corresponding changes in the state machinery. Illustrative is the statement of G.E.'s Charles E. Wilson to the Army Ordnance Association (January 19, 1944) to the effect that the wartime partnership of finance capital and the military should be made permanent. "Perhaps," said Wilson, *"we should even abandon the false phraseology of a 'war economy' and a 'peace economy'."*

Wilson did further missionary work for this concept as a member of the President's Advisory Committee on U.M.T. The Committee report (May 29, 1947) propagandized the idea that extensive industrial mobilization of "our total resources for war" would have to be taken in peacetime as a measure of permanent preparedness.

The first comprehensive measure designed to put these plans into effect was the National Security Act of 1947. This act created within the Executive Office of the President, a tactical headquarters for carrying out the strategic plans of the "cold war." The President's Cabinet was reshuffled into two "war cabinets"—the National Security Council and the National Security Resources Board.

These two agencies—N.S.C. and N.S.R.B.—coordinate foreign, military and economic policy. Both are dominated by Wall Street and are linked to major financial interests of the nation through numerous advisory commissions. They are now the decisive top-level control agencies

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* Subsequently, General George Marshall, the wartime chief of Staff and later Secretary of State, was made a director of Pan American Airways; and General Lucius D. Clay, former U.S. Military Governor in Germany, became a director of the Marine Midland Trust Co. of New York.

of the Federal government. The Hoover Commission was set up as a special "task force" to streamline and centralize the Federal bureaucracy and thus to make more direct the chain of command between these two war cabinets and the operating agencies of the government.

The general policy-making cabinet is the National Security Council, composed of the President, Secretaries of State, Defense, Army, Navy and Air Force and the chairman of the National Security Resources Board. The Hoover Commission described the Council as "probably the most vital element in the security structure." Its purpose is "to advise the President with respect to the integration of domestic, foreign and military policies relating to the national security."

Key members of the Council have held directorships or other offices in a number of major firms, especially those connected with Victor Emanuel. Defense Secretary Johnson was a director of Consolidated Vultee Aircraft Corporation, leading B-36 manufacturer and second largest United States aircraft firm; also director and president respectively of the I. G. Farben subsidiaries, General Aniline & Film and General Dyestuffs. Executive Secretary Souers was a director of Aviation Corporation, of which Emanuel is Chairman of the Board. Commerce Secretary Sawyer was a director of the Aviation Corporation subsidiary, Crosley. Air Force Secretary Symington was wartime president of Emerson Electric, which also produces aircraft parts.

The National Security Resources Board is composed of the President and Secretaries of State, Defense, Interior, Commerce, Agriculture and Labor. Assisted by the Munitions Board, it has drafted policies to assure, in Eisenhower's words, "the necessary mobilization of men, production plants and materials that constitutes total defense." Two hundred task groups have been commuting to Washington drawing up mobilization plans for their industries. "All members of the committees," says the *Journal of Commerce* (October 25, 1948), "are drawn from the top management of outstanding companies in the industries they represent."

First chairman of N.S.R.B. was Arthur M. Hill, chairman of Atlantic Greyhound Corporation, and a director of I.T.&T. Its first vice-chairman was Reginald E. Gillmor, former president of Sperry Gyroscope Company.

N.S.R.B.'s first chairman, Hill, asserted that the economic controls being drafted represent a conscious attempt to create "a centrally planned, controlled and directed economy" providing "the drastic controls and extraordinary measures necessary to bring our industrial resources in support

of the Armed Forces."* Thus, there is to be no further nonsense about *laissez-faire* capitalism in the "cold war" economy. The individual capitalist is to be required increasingly to subordinate himself to the commands of industry leaders, pushing their own narrow corporate interests but speaking with the authority of the state. We have seen this happen before—in Germany. But as German experience shows, this top-level "management" of the economy cannot mean more than superficial lessening of the anarchy of capitalist production.

The "cold war" policies of N.S.C. and N.S.R.B. are implemented by a series of interrelated operating agencies, chief among which is the reconstituted Munitions Board.

The National Security Act of 1947 gave the Munitions Board authority to coordinate industrial mobilization and procurement for all the armed services. In theory it works closely with the N.S.R.B., which determines the allocation of national resources between military and civilian uses. In practice, however, the Munitions Board, which exercises the full authority of the Secretary of Defense on mobilization matters, actually dominates the N.S.R.B., which has a semblance of civilian control. The Munitions Board takes the military plans of the Joint Chiefs of Staff and translates them into procurement orders. It is in the key position to determine which firms benefit from rearmament spending.

The Board consists of the under- or assistant-secretaries of the three services, plus a chairman. Present chairman is DuPont protegé Donald F. Carpenter, former vice-president of Remington Arms Company, a DuPont subsidiary. The Board is assisted by more than 400 key industrialists in 19 industry advisory committees.

A second, extremely important, operating agency is the Atomic Energy Commission, created August 1, 1946. A.E.C. directs the spending of $750 million a year, principally on atomic bomb production and related research. Though touted as a government enterprise, most A.E.C. funds go to a few private corporations. Two firms monopolize the most important current atomic energy work—General Electric and Carbide & Carbon Chemicals Corporation. Development of new processes is carried on by those companies plus a handful of chemical monopolies: DuPont, Standard Oil Development Corporation, Kellex Corporation, Blaw-Knox Company, Monsanto Chemical Company and Dow Chemical Company. Thus the research and know-how of atomic energy, costing the people billions of dollars, have been given over to a few monopolies.

* N.S.R.B. Press Release No. 39, June 11, 1948.

A.E.C. has from the start included important representatives of the business world, such as Lewis L. Strauss of Kuhn, Loeb. Chairman Lilienthal has been wholly responsive to military-financial control of atomic energy.

A.E.C.'s consultants on private atomic power development include seven representatives of large financial interests, indicating strong Rockefeller, Morgan, DuPont and Mellon influence. The Pentagon retains working control through the Military Liaison Committee, now headed by William Webster, New England utility magnate and director of Edison Electric Institute.

The Hoover Commission, significantly enough, was created by Congress in July 1947, the same month the National Security Act of 1947 was passed to mobilize the nation for the "cold war," following the enunciation of the Truman Doctrine in March 1947.

The Hoover Commission Task Force on national security was headed by investment banker Ferdinand Eberstadt. It included high representatives of General Motors, Stewart-Warner, Kuhn Loeb, Fairchild Engine & Aircraft, Sears Roebuck, Eastman Kodak, Shell Oil, Jones and Laughlin Steel and Pan-American Airways. This task force recommended that the Secretary of Defense be given clear-cut authority over the three military services—which is significant in view of the fact that the first two defense secretaries under the new act, Forrestal and Johnson, have been outstanding figures in the financial community which directs the "cold war" program.

The Hoover Commission task force on procurement urged a streamlining of the Federal purchasing system to expedite military procurement. Procurement policy authority is now dispersed among Budget Bureau, Treasury and the Comptroller General, causing occasional inconvenience, delay and obstruction in making purchases for the armed services and other agencies. The task force urged that Federal procurement be centralized in one Federal Bureau of Supply, on which the Munitions Board would have equal voice with all other Federal agencies combined.

The Hoover Commission's concern with waste has been directed primarily at establishing a more efficient "cold war" administration for the tax dollars spent. The Commission will not reduce bureaucracy but will attempt to make sure that the bureaucracy is responsive to the leading financial and industrial interests of the nation.

The European Cooperation Administration, created April 3, 1948, must also be considered as one of the major operating agencies serving

the top-level war cabinets. E.C.A. ("Marshall Plan") substantially influences the composition of $5 billion worth of export trade. It is administered by leading industrialists, financiers and corporation lawyers.

The creation of this vast superstructure of big business and military control agencies has relegated the old-line Federal administrative agencies to a status of secondary importance. Some have been turned into instrumentalities of the "cold war." Treasury, for example, handles stockpile purchases for the Munitions Board; and Interior administers such programs as strategic highways and development of scarce resources. Other old-line agencies have been shuffled to the bottom of the "Fair Deal" deck, so as not to interfere with prosecution of the "cold war." The Labor Department, for example, has been stripped of most of its functions.

This growing consolidation of economic and political rule by the financial oligarchy and the military necessarily implied—indeed, was designed to promote—intensified exploitation of the working class, facilitated through more direct intervention by the state. Unless effective preventive measures were taken, therefore, the whole development could be expected to stimulate growing opposition by organized labor, now grown powerful and politically more mature. Such "preventive measures" were taken, with the result that key leaders of the labor movement have been brought into full "patriotic" cooperation with the "cold war."

The C.I.O. and A. F. of L. bureaucracy have completely endorsed the Administration's "cold war" policies. They have not protested the complete domination of the Federal government by representatives of large anti-labor employers and big brass. On the contrary, many top leaders have asserted the community of interest between worker and employer.

C.I.O. has advocated labor-management councils to increase productivity in the interests of greater profits from "cold war" production. The Reuther leadership in U.A.W. "mediates" between Ford management and U.A.W. members on the speed-up issue. C.I.O. Secretary Carey praises the patriotism of banker Harriman, while industrial leaders like Eric Johnston declare that "labor statesmen" like Carey would make excellent ambassadors to sell Wall Street's program to workers abroad.

Despite this unholy harmony, the monopolists have not found it necessary to give these labor misleaders more than window-dressing status in running the "cold war." Thus they have token representation in the program of the E.C.A. Public Advisory Committee, in the E.C.A. Labor Office and in the Anglo-American Committee on Productivity. Labor participation in N.S.R.B. mobilization planning has been invited only

for advice on "bits and pieces," and on this basis it has been refused by Murray and Green, who seek full partnership in this program.

These "labor statesmen" have declared civil war against unions which reject "cold war" policies. Convention resolutions against loyalty purges by the F.B.I. and the armed services have not been implemented. On the contrary, some labor leaders have cooperated with the F.B.I. and Congressional witch-hunters in fingering and driving out progressive opposition.

But this co-opting of labor in the service of the "cold war" cannot continue to be successful, because it runs counter to the basic interests of the working class. In order to keep their position in the labor movement, leaders of A. F. of L. and C.I.O. will be forced to give unwilling recognition to the growing pressure of workers' struggles against speed-up, lay-offs, part-time work and indirect wage cuts, as employers attempt to place the burden of the developing crisis upon the working class. The Ford strike is but one example of workers' fight against speed-up which has been given reluctant leadership by the U.A.W. top officers. Struggles of this kind will mushroom as the crisis deepens.

Thus, the union of finance capital and the state, characteristic of capitalism in the imperialist stage of development, has proceeded in the United States at a much accelerated pace since World War II. Through staffing Federal posts with Wall Street and military personnel, reorganizing the governmental structure into a stream-lined mechanism for war and temporarily containing potential labor opposition within the "cold war" camp, the men of the trusts have moved into open and virtually complete command of the Federal government. This development expresses the inevitable impact of militarization of the economy upon the state.

The Trend Toward Fascism and War

The increasing postwar political rule of the financial oligarchy on the basis of a militarized economy operates to intensify the trustification of industry and the growth of state monopoly capitalism. It aggravates, thereby, the danger of war and fascism. But it also calls into motion the democratic peoples forces which can curb and reverse this program of political reaction.

The further concentration of economic power since World War II has developed as a direct effect of the closer fusion of monopoly and the

state. Through direction of the huge volume of "cold war" spending, with accompanying control over production, prices and allocations of materials, the representatives of big business in government have been able to increase their domination of industry. They have grabbed the lion's share of war-built government plants and facilities. They are taking over vital new industries. They have given themselves the overwhelming portion of military procurement orders. They have used cold war-created shortages to gobble up small business, dependent as it is on state monopoly capitalism for orders and supplies.

The effect of the "cold war" economy on small business is seen in the growing rate of failures and the relegation to small business of the crumbs of military and E.C.A. spending. Small business is deliberately excluded from planning for industrial mobilization, because it is taken for granted that "the larger ones scoop them up as they prepare for mobilization and the Munitions Board allocates the smaller companies as subcontractors." The main way for smaller companies to get in on military contracts is to have larger companies submit their names to the Munitions Board for "bits and pieces" contracts.*

Small business is further shut out by the provisions of the Armed Services Procurement Act of 1947, increasing the authority of the armed services to purchase by negotiation, rather than competitive bid, authority which the Hoover Commission task force on Federal procurement would extend to all Federal agencies. As a result, since 1940, more than 2,500 smaller firms have been absorbed by large firms through mergers and acquisitions—most of them occurring in the last three years.

The concentration of economic power has been further accelerated by the disposition of war surplus industrial equipment. Roughly 65 per cent of government-owned war plants sold or leased since the war have been acquired by 87 of the 250 largest corporations. Such war surplus disposals, incidentally, have constituted an important part of postwar capital expansion, accounting for perhaps 20 per cent of expenditures for producers' goods by manufacturing corporations up to mid-1947.

Monopoly domination of new postwar industries has still further advanced the concentration of economic power. Such vital new industries as synthetic rubber, synthetic oil and atomic energy, which have been financed by the government at a cost of billions of dollars, are being turned over for development to a handful of monopolies. This has already been noted in the case of management of atomic energy develop-

* N.I.C.B. Study in Business Policy, No. 35, March 1949, "Industrial Mobilization Planning."

ment. On advice of its rubber and petroleum committees, the N.S.R.B. has urged the President also to turn synthetic rubber and fuel plants remaining in government surplus over to private industry, which in this case would be the major petroleum producers, the Big Four rubber companies and a few large chemical concerns which alone have the resources and know-how to operate these industries.

The increasing trustification of postwar industry has also been accelerated by the allocation of military contracts. In a two-month test period (January-February 1948), for example, only seven per cent of procurement contracts went to firms with less than 500 employees. Under prodding from the House Small Business Committee, the proportion was raised to 44 per cent for July-September 1948. But in the period May-November 1948, firms with less than 500 workers got just two per cent of Air Force procurement which totalled $1 billion (*N. Y. Times*, January 17, 1949).

In the first four months of Marshall Plan operations, only 294 United States firms participated directly in the program. Firms doing most business under the Marshall Plan include Standard Oil and Anderson, Clayton & Company, cotton ginners. Will Clayton, head of the latter firm, negotiated the Marshall Plan agreement while Under-Secretary of State.* Four giant banks handled over half the E.C.A. credits issued to Marshall Plan countries.

Thus, the principal trends of the postwar economy are operating to strengthen the dominant positions of a few giant monopoly groups over the American economy. This process is greatly accelerated by the war preparations and the streamlining of the government war agencies to serve the purposes of monopoly. As a result, state monopoly capitalism, or the fusion of monopoly and the state, has proceeded further. Moreover in the current context of world economic and political developments, this growth of the monopoly state seriously increases the danger of extreme political reaction.

It becomes increasingly obvious that huge "cold war" spending cannot halt the developing crisis of overproduction in the United States. It is also becoming clear that the drive of American monopolies for world domination cannot triumph over the growing power of the anti-imperialist coalition on a world scale. Thus, the position of American finance capital becomes increasingly desperate, and it is no wonder that important sections of the ruling oligarchy seek to "solve" their problem by such

* House Report 2466, 80th Congress, p. 28.

desperate measures as plunging the world into another war and clamping fascist controls on the American people.

The effective answer to this program of political reaction inheres in the democratic masses of the American people, especially the working class. Faced by conditions of growing political reaction, an increasing burden of armament, intensified attacks upon their organizations and living standards and the prospect of dying for monopoly profits in another war—faced with these conditions, the American working class will have to stand up and fight, if we are not to suffer the fate of Hitler Germany. Allied with other democratic and peace forces of the country, they have the power to save our nation from the war and fascism threat of a monopoly state.